

EXHIBIT A



**CORNWELL QUALITY TOOLS COMPANY
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Years Ended December 31, 2021 and 2020



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CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cornwell Quality Tools Company and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Cornwell Quality Tools Company and Subsidiary (an Ohio corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornwell Quality Tools Company and Subsidiary as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Cornwell Quality Tools Company and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornwell Quality Tools Company and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cornwell Quality Tools Company and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornwell Quality Tools Company and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sikich LLP

Akron, Ohio
March 25, 2022

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY**CONSOLIDATED BALANCE SHEETS****December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,472,455	\$ 24,904,341
Accounts receivable, trade, net	9,121,706	7,293,342
Notes receivable, net	2,609,030	2,295,218
Finance receivables, net	19,007,487	17,446,649
Inventories	33,158,175	19,364,528
Prepaid expenses and other assets	1,344,706	1,491,404
Refundable income taxes	294,000	-
Total current assets	<u>90,007,559</u>	<u>72,795,482</u>
NONCURRENT ASSETS		
Notes receivable, net of current portion	9,718,752	8,816,253
Finance receivables, net of current portion	59,693,453	55,122,095
Investments, designated	158,562	158,498
Property, plant and equipment, net	14,237,297	14,342,935
Goodwill, net	4,029,783	4,878,158
Deferred income tax asset	4,064,000	3,558,000
Total noncurrent assets	<u>91,901,847</u>	<u>86,875,939</u>
TOTAL ASSETS	<u>\$ 181,909,406</u>	<u>\$ 159,671,421</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 15,732,912	\$ 14,880,613
Current maturities of capital lease obligation	1,476	10,278
Current maturities of long-term debt	488,004	1,654,671
Accrued expenses	2,904,748	3,133,213
Deferred compensation	116,950	109,194
Accrued taxes	198,227	294,401
Total current liabilities	<u>19,442,317</u>	<u>20,082,370</u>
LONG-TERM LIABILITIES		
Capital lease obligation, less current maturities	-	1,177
Long-term debt, less current maturities	2,480,663	2,968,663
Deferred compensation, less current portion	1,255,166	1,291,116
Total long-term liabilities	<u>3,735,829</u>	<u>4,260,956</u>
Total liabilities	<u>23,178,146</u>	<u>24,343,326</u>
SHAREHOLDERS' EQUITY	<u>158,731,260</u>	<u>135,328,095</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 181,909,406</u>	<u>\$ 159,671,421</u>

See accompanying notes to consolidated financial statements.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF OPERATIONS**
for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SALES	\$ 250,650,874	\$ 207,918,492
Less: Dealer weekly volume incentives	<u>4,967,398</u>	<u>3,747,048</u>
Sales, net	245,683,476	204,171,444
COST OF GOODS SOLD	<u>179,443,910</u>	<u>147,920,051</u>
Gross profit	<u>66,239,566</u>	<u>56,251,393</u>
EXPENSES		
Shipping and warehousing	5,130,452	3,721,692
Selling	18,860,426	16,929,590
General and administrative	13,846,472	11,453,722
Employee stock ownership plan contribution	5,000,000	4,000,000
Goodwill amortization expense	<u>848,375</u>	<u>848,375</u>
Total expenses	<u>43,685,725</u>	<u>36,953,379</u>
Income before financing operations	<u>22,553,841</u>	<u>19,298,014</u>
FINANCING OPERATIONS		
Revenues	18,962,777	17,208,434
Other financing income	<u>1,015,094</u>	<u>724,295</u>
Total financing income	19,977,871	17,932,729
Expenses	<u>6,784,722</u>	<u>7,092,884</u>
Income from financing operations	<u>13,193,149</u>	<u>10,839,845</u>
Income from operations	<u>35,746,990</u>	<u>30,137,859</u>
OTHER INCOME (EXPENSE)		
Interest expense	(283,379)	(341,083)
Interest income	8,660	7,085
Other income (expense), net	<u>(141,289)</u>	<u>322,425</u>
Other expense, net	<u>(416,008)</u>	<u>(11,573)</u>
Income before taxes	35,330,982	30,126,286
PROVISION FOR INCOME TAXES	<u>8,799,000</u>	<u>7,438,000</u>
NET INCOME	<u>\$ 26,531,982</u>	<u>\$ 22,688,286</u>

See accompanying notes to consolidated financial statements.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended December 31, 2021 and 2020

	* Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount			
BALANCES, DECEMBER 31, 2019	10,635	\$ 106,350	\$ 1,644,189	\$ 112,793,998	\$ 114,544,537
Net income	-	-	-	22,688,286	22,688,286
Dividends paid	-	-	-	(1,904,728)	(1,904,728)
BALANCES, DECEMBER 31, 2020	10,635	106,350	1,644,189	133,577,556	135,328,095
Net income	-	-	-	26,531,982	26,531,982
Dividends paid	-	-	-	(3,128,817)	(3,128,817)
BALANCES, DECEMBER 31, 2021	<u>10,635</u>	<u>\$ 106,350</u>	<u>\$ 1,644,189</u>	<u>\$ 156,980,721</u>	<u>\$ 158,731,260</u>

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,635 shares issued and outstanding at December 31, 2021 and 2020.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS**
for the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 262,033,263	\$ 219,789,132
Cash paid to suppliers and employees	(234,869,277)	(171,308,252)
Cash paid to related party	(445,788)	(445,788)
Interest paid, net	(272,281)	(329,860)
Income taxes paid	(9,680,000)	(6,691,950)
Net cash from operating activities	<u>16,765,917</u>	<u>41,013,282</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance receivables originated	(48,450,878)	(46,488,132)
Finance receivables repaid	37,396,682	32,602,601
Deposits in investments, designated	(64)	(688)
Capital expenditures	(1,352,426)	(1,481,407)
Proceeds on cash surrender value life insurance	-	1,251,746
Proceeds on disposal of property and equipment	2,346	22,500
Net cash from investing activities	<u>(12,404,340)</u>	<u>(14,093,380)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of capital lease obligation	(9,979)	(10,981)
Repayments of long-term debt	(1,654,667)	(1,888,000)
Cash dividends paid	(3,128,817)	(1,904,728)
Net cash from by financing activities	<u>(4,793,463)</u>	<u>(3,803,709)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(431,886)	23,116,193
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,904,341</u>	<u>1,788,148</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 24,472,455</u>	<u>\$ 24,904,341</u>

See accompanying notes to consolidated financial statements.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF NET INCOME TO NET CASH		
FROM OPERATING ACTIVITIES:		
Net income	\$ 26,531,982	\$ 22,688,286
ADJUSTMENTS TO RECONCILE NET INCOME TO NET		
CASH FROM OPERATING ACTIVITIES:		
Provision for finance credit losses	4,922,000	5,248,000
Provision for uncollectible accounts and notes receivables	442,120	308,049
Change in LIFO reserve	1,432,065	913,962
Change in inventory obsolescence reserve	180,000	(83,568)
Gain on settlement of cash surrender value of officer's life insurance policies	-	(525,576)
Depreciation and amortization	1,484,314	1,495,619
Goodwill amortization	848,375	848,375
Gain on disposal of property and equipment	(2,346)	(6,903)
Change in deferred income tax asset	(506,000)	(165,000)
(Increase) decrease in operating assets:		
Accounts receivable, trade	(2,270,484)	(1,329,667)
Notes receivable	(1,216,311)	(1,307,799)
Inventories	(15,405,712)	6,930,458
Prepaid expenses and other assets	120,448	(897,371)
Refundable income taxes	(294,000)	761,000
Increase (decrease) in operating liabilities:		
Accounts payable	852,299	5,671,549
Accrued expenses	(228,465)	381,011
Accrued taxes	(96,174)	104,781
Deferred compensation	(28,194)	(21,924)
Total adjustments	<u>(9,766,065)</u>	<u>18,324,996</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 16,765,917</u>	<u>\$ 41,013,282</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the years ended December 31, 2021 and 2020

1. NATURE OF OPERATIONS

Cornwell Quality Tools Company and Subsidiary (the Company) is a manufacturer and distributor of hand-held tools, toolboxes, diagnostic equipment 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 of America and parts of Europe. Purchased parts account for approximately 93% of sales in 2021 and 92% of sales in 2020. The Company maintains manufacturing facilities in Ohio and Pennsylvania and distribution centers in Ohio and Utah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The accompanying consolidated financial statements of Cornwell Quality Tools Company and Subsidiary include the accounts of Cornwell Quality Tools and its wholly-owned subsidiary, CQT Kennedy, LLC, collectively referred to as the Company. All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Variable Interest Entity – The Company is the primary beneficiary of an affiliated leasing entity that was formed for the purpose of holding real estate which is leased to the Company. The affiliated leasing entity generates substantially all of its revenue from the Company. The Company accounts for the variable interest entity (VIE) under the alternative accounting guidance issued by the Financial Accounting Standards Board (FASB). This alternative accounting treatment permits privately held companies meeting certain criteria from having to apply existing VIE consolidation guidance to common control leasing arrangements while maintaining compliance with GAAP. This alternative accounting guidance still requires certain disclosures pertaining to its relationship with the VIE entity, which have been disclosed in Note 9.

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

The Company maintains its cash and cash equivalents with banks, which, at times, may exceed the federally insured limit of \$250,000. Cash and cash equivalents with banks exceeded the limit by approximately \$26,256,000 at December 31, 2021 and \$26,494,000 at December 31, 2020. Management of the Company believes it is not exposed to any significant credit risk on its cash and cash equivalents. The Company has not experienced any significant losses in such accounts.

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 TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 for the years ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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 charged and recognized 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.

On December 31, 2021, contractual maturities of notes receivables were as follows:

2022	\$ 2,859,030
2023	3,704,381
2024	3,026,727
2025	2,038,758
2026	<u>948,886</u>
	<u>\$ 12,577,782</u>

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 financing fees or costs on originated loans. Deferred financing fees are amortized on a straight-line basis over a 36-month period which approximates the life of the finance receivables.

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 \$204,814 in 2021 and \$209,477 in 2020, and are included in the income from financing operations in the consolidated 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 \$5,931,566 and \$4,499,501 at December 31, 2021 and 2020, respectively, and net income after taxes would have increased by \$1,045,065 in 2021 and by \$666,962 in 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 for the years ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Special Dealer Program – Deferred financing incentive expense for the special dealer program is amortized on a straight-line basis over a 36-month period. The amortization expense totaled \$26,250 in 2021 and \$110,000 in 2020. There are no remaining fees to be amortized in future years, and this program has ended as of December 31, 2021.

Investments, Designated – The Company designated investments to be used at a future date for the purpose of funding a portion of the deferred compensation liability. Designated investments have been deposited in a separate account during 2021 and 2020.

Goodwill – The Company recognized \$8,483,752 of goodwill related to Cornwell Quality Tools Company’s acquisition of CQT Kennedy, LLC on September 30, 2016. The Company accounts for goodwill in accordance with alternative accounting guidance issued by the FASB. This alternative accounting treatment permits privately held companies to amortize goodwill on a straight-line basis over a period not to exceed 10 years while maintaining compliance with GAAP. Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value. Management has determined that there is no impairment of goodwill for the years ended December 31, 2021 and 2020. Amortization expense totaled \$848,375 in 2021 and 2020, respectively, and accumulated amortization totaled \$4,453,969 at December 31, 2021 and \$3,605,594 at December 31, 2020. Goodwill will amortize at the annual amount of \$848,375 through September 2026.

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 \$1,458,064 in 2021 and \$1,373,119 in 2020.

Estimates – The preparation of consolidated financial statements in conformity with GAAP 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 consolidated 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 consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Advertising – Advertising primarily consists of the Company’s catalog, bulletins, flyers, sponsorships and advertising in national publications for the Company’s products, which are amortized over one year or less. Advertising expense was \$2,170,068 in 2021 and \$1,141,646 in 2020.

Income Taxes – The Company is taxed as a C-Corporation and, accordingly, a provision (benefit) for federal and state taxes has been recorded in the consolidated financial statements.

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when management determines a portion or all of the deferred tax assets will more likely than not be recognized.

Revenue Recognition – The Company generates revenue from various financing programs that include: (i) installment sales contracts arising from tool dealers wishing to provide financing to their customers on an extended-term payment plan; and (ii) business loans to tool dealers for inventory. Interest income from finance receivables is recognized using the interest 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.

The decision to finance through the Company or another financing source is solely at the election of the customer. When assessing customers for potential financing, the Company considers various factors regarding ability to pay, including the customers’ financial condition, debt-servicing ability, past payment experience, and credit bureau and proprietary credit model information, as well as the value of the underlying collateral. See Note 5 for information on credit quality indicators and monitoring.

The Company enters into contracts with customers related to the selling of products. At contract inception, an assessment of the products promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a product (or bundle of products). To identify the performance obligations, the Company considers all of the products promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Contracts with customers are comprised of customer purchase orders, invoices and written contracts.

Revenue from the sale of products is recognized at a point in time when the Company’s performance obligations are satisfied, which generally occurs at a point in time when title and control of the product is transferred to the customer at shipping point. Once a product has shipped, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from the asset. Customer payments are typically due within 30 days of billing or over the terms set out in the financing program, depending on the contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Revenue Recognition, (continued) – In some cases, the nature of the Company's contracts give rise to variable consideration, including weekly dealer volume discounts, rebates, credits, allowances for returns or other similar items that generally decrease the transaction price. These variable amounts generally are credited to the customer, based on achieving certain levels of sales activity or product returns.

In the normal course of business, the Company allows dealers to return product per the provisions in the franchise agreement that allow for the return of product in a saleable condition. For other customers, product returns are generally not accepted unless the item is defective as manufactured. Estimated product returns are recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and is adjusted for known trends to arrive at the amount of consideration to which the Company expects to receive.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Disaggregation of Revenue: All sales revenue results from product sales and is recognized at a point in time. Products are sold primarily to independent tool dealers and other industrial users throughout the United States of America and parts of Europe. Qualitative factors that affect revenue recognition and cash flows include, uninterrupted supply chain for components used to manufacture products, purchased products, availability of labor, and prompt payment by customers.

Performance Obligation: The Company's contracts for the sale of products contain a single performance obligation. The performance obligation is satisfied when the product is shipped to the customer.

Significant Judgments and Estimates: Other than variable consideration previously noted there are no significant judgments involved in the recognition of revenue from the sale of products.

Shipping and Handling Costs – The Company has elected to treat shipping and handling costs as contract fulfillment activities. Shipping and handling revenue is included in sales and the related costs are included in cost of goods sold in the accompanying consolidated statements of operations.

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 expensed as incurred. The Company's policy is also considered an assurance warranty and therefore does not constitute variable consideration under Topic 606.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fair Value – The Company applies fair value measurements in accordance with GAAP, 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 investments designated on the consolidated balance sheets, are money market funds with a fair value of \$158,562 and \$158,498 at December 31, 2021 and 2020, respectively. The designated investments are measured on a Level 1 basis at December 31, 2021 and 2020 as defined by GAAP.

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

New Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU No. 2020-05, is effective for non-public entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company is currently assessing the impact of this new standard, including the two optional transition methods.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, to require the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable forecasts. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU No. 2016-13, as amended by ASU No. 2019-11, is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years; the ASU allows for early adoption as of the beginning of an interim or annual reporting period beginning after December 15, 2018. The Company is currently assessing the impact this ASU will have on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Subsequent Events – Subsequent events are events or transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

Management of the Company has evaluated subsequent events through March 25, 2022, which was the date that these consolidated financial statements were available for issuance, and determined there are no significant non-recognized subsequent events through that date.

3. 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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 334,000	\$ 328,000
Provision for bad debts	442,120	308,049
Write-offs	(530,401)	(356,656)
Recoveries	<u>87,281</u>	<u>54,607</u>
Balance, end of year	<u>\$ 333,000</u>	<u>\$ 334,000</u>

The allowance for doubtful accounts is presented net in the Company's consolidated balance sheets as follows at December 31:

	<u>2021</u>	<u>2020</u>
Accounts receivable, trade	\$ 83,000	\$ 84,000
Notes receivable	<u>250,000</u>	<u>250,000</u>
	<u>\$ 333,000</u>	<u>\$ 334,000</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

4. FINANCE RECEIVABLES

The Company engages in providing commercial financing services to tool dealers wishing to provide financing to their customers. The Company's finance receivables, which are comprised primarily of contracts with a maximum of 60 monthly installments, are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Finance receivables	\$ 94,135,342	\$ 86,814,485
Deductions:		
Reserve for finance credit losses	(8,212,000)	(7,553,000)
Deferred financing fees	<u>(7,222,402)</u>	<u>(6,692,741)</u>
	78,700,940	72,568,744
Less current maturities	<u>19,007,487</u>	<u>17,446,649</u>
Long-term finance receivables	<u>\$ 59,693,453</u>	<u>\$ 55,122,095</u>

On December 31, 2021, contractual maturities of finance receivables were as follows:

2022	\$ 31,196,087
2023	29,338,749
2024	22,553,113
2025	9,952,331
2026	<u>1,095,062</u>
	<u>\$ 94,135,342</u>

Current maturities of finance receivables as reported on the consolidated balance sheet consist of gross receivables of \$31,196,087 less the reserve for finance credit losses of \$8,212,000 less the current portion of deferred financing fees of \$3,976,600.

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 \$37,396,682 in 2021 and \$32,602,601 in 2020 and the ratios of these cash collections to average principal balances were approximately 41% in 2021 and 40% in 2020. Changes in the allowance for credit losses for finance receivables were as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 7,553,000	\$ 6,714,000
Provision for credit losses	4,922,000	5,248,000
Loans charged off	(4,754,000)	(5,018,000)
Recoveries	<u>491,000</u>	<u>609,000</u>
Balance, end of year	<u>\$ 8,212,000</u>	<u>\$ 7,553,000</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

5. CREDIT QUALITY OF FINANCE AND NOTES RECEIVABLES

The Company actively monitors the credit quality of finance and notes receivables by performing a 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, 2012, 2016, February 2018, and September 2021. 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. In the February 2018 revalidation, the introduction of FICO scores as an additional qualifier was added. 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>2021</u>	<u>2020</u>
Notes receivable:		
Beacon score > 650	<u>\$ 12,577,782</u>	<u>\$ 11,361,471</u>
Finance receivables:		
Blue Ribbon rating	<u>\$ 279,332</u>	<u>\$ 396,297</u>
Scorecard:		
415 - 419 – High risk	259,867	284,388
420 - 429	8,790,201	7,614,203
430 - 439	8,281,361	7,985,473
440 - 449	17,490,710	16,028,903
450 - 459	29,198,116	25,992,565
>= 460 – Low risk	<u>29,835,755</u>	<u>28,512,656</u>
Subtotal Scorecard	<u>93,856,010</u>	<u>86,418,188</u>
Total finance receivables	<u>\$ 94,135,342</u>	<u>\$ 86,814,485</u>

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

	<u>2021</u>	<u>2020</u>
Current (not past due) notes receivable	<u>\$ 12,577,782</u>	<u>\$ 11,361,471</u>
Finance receivables:		
Current (not past due)	\$ 90,103,054	\$ 81,924,997
30-59 days past due	1,782,010	2,245,770
60-89 days past due	997,733	1,334,146
Greater than 90 days past due	<u>1,252,545</u>	<u>1,309,572</u>
Total finance receivables	<u>\$ 94,135,342</u>	<u>\$ 86,814,485</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

6. INVENTORIES

Inventories consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Raw materials	\$ 6,198,060	\$ 3,335,892
Work in process	3,427,525	2,418,961
Finished goods	<u>29,744,156</u>	<u>18,209,176</u>
	39,369,741	23,964,029
Less:		
Obsolescence reserve	280,000	100,000
LIFO reserve	<u>5,931,566</u>	<u>4,499,501</u>
Total inventories	<u>\$ 33,158,175</u>	<u>\$ 19,364,528</u>

7. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 692,495	\$ 692,495
Buildings and improvements	9,104,853	9,063,754
Machinery and equipment	12,555,920	12,099,339
Office furniture and fixtures	5,063,804	4,981,192
Transportation equipment	182,305	94,093
Construction in progress	<u>654,604</u>	<u>25,876</u>
	28,253,981	26,956,749
Less accumulated depreciation	<u>14,016,684</u>	<u>12,613,814</u>
Property, plant and equipment, net	<u>\$ 14,237,297</u>	<u>\$ 14,342,935</u>

Leasehold improvements are amortized over 4-35 years, which is the shorter of the useful life of the leasehold improvement or the lease term including renewal periods that are reasonably assured. The Company leases its office from a related party under a ten-year operating lease, ending November 2025. If the lease is not extended to equal the life of the leasehold improvements, the landlord has represented to the Company that it will be reimbursed for the remaining unamortized cost of the leasehold improvements.

Included in construction in progress at December 31, 2021 are costs related to the purchase of machinery and equipment with a total estimated cost of completion for approximately \$1,985,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

8. FINANCING

The Company has a line of credit agreement with a bank. Under the terms of the agreement, the Company can borrow up to \$8,000,000, collateralized by substantially all owned assets of the Company. The agreement, which expires July 31, 2022, requires monthly interest payments at one-month LIBOR (London Interbank Offered Rate) plus 1.25%, with a LIBOR rate floor of 0.25% (one-month LIBOR was 0.07% at December 31, 2021). There is \$8,000,000 availability on this line of credit with no advances outstanding at December 31, 2021 and December 31, 2020.

The Company also has an agreement with a bank that is collateralized by substantially all owned assets of the Company that features a \$5,500,000 line of credit for the construction of a new warehouse and \$7,000,000 term note for the acquisition of a business. On January 5, 2018, the outstanding balance on the line of credit agreement for the construction of a new warehouse was converted into a \$4,880,000 term note. The term note is payable in monthly principal installments of \$40,667 plus interest at a fixed rate of 3.77%, with a balloon payment for the remaining principal owed on January 5, 2023. The amount outstanding on this term note totaled \$2,968,667 and \$3,456,667 at December 31, 2021 and 2020, respectively.

The \$7,000,000 term note for the acquisition of a business was payable in monthly principal installments of \$116,667 plus interest at one-month LIBOR (.07% at December 31, 2021) plus 1.25%, through October 5, 2021. The term note payable was paid in full as of December 31, 2021. The amount outstanding on this term note totaled \$1,166,667 as of December 31, 2020.

The following schedule of future maturities of long-term debt reflects the payment terms applicable under the term note agreements.

Year ending December 31:

2022	\$ 488,004
2023	<u>2,480,663</u>
	2,968,667
Less current maturities of long-term debt	<u>488,004</u>
	<u>\$ 2,480,663</u>

The line of credit and term debt agreements contain various covenants, the most restrictive of which requires the Company to maintain a minimum level of fixed charge coverage. The Company is in compliance with those covenants at December 31, 2021.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

9. OPERATING 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 four years. Rent expense for these leases totaled \$358,016 in 2021 and \$308,497 in 2020. The following is a schedule of future minimum lease payments for operating leases with remaining terms of one year or more:

2022	\$ 297,215
2023	73,291
2024	20,703
2025	<u>3,697</u>
	<u>\$ 394,906</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. Rent payments for these facilities totaled \$445,788 in 2021 and 2020. The following is a schedule of future minimum lease payments for these leases with remaining terms of one year or more:

2022	\$ 445,788
2023	445,788
2024	445,788
2025	<u>382,341</u>
	<u>\$ 1,719,705</u>

10. CAPITAL LEASES

The Company leases various manufacturing equipment under capital leases. The net book value of the manufacturing equipment under capital leases at December 31, 2021 and 2020 totaled \$25,562 and \$30,582, respectively. An obligation under capital leases has been recorded in the consolidated financial statements at the present value of future minimum lease payments.

Future minimum payments under the capital leases are as follows:

2022	<u>\$ 1,476</u>
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11. INCOME TAXES

The net income tax provision is comprised of the following:

	<u>2021</u>	<u>2020</u>
Current tax provision, federal	\$ 7,460,000	\$ 6,040,000
Current tax provision, state	1,845,000	1,563,000
Deferred tax benefit, federal and state	<u>(506,000)</u>	<u>(165,000)</u>
	<u>\$ 8,799,000</u>	<u>\$ 7,438,000</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

11. INCOME TAXES, (Continued)

The difference between the effective tax rate for financial reporting of 27% in 2021 and 2020 and the federal and state statutory tax rates is due to applying actual state statutory tax rates and nondeductible items not included for financial reporting purposes.

Deferred income taxes are provided for the temporary differences between the tax basis and the financial reporting 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>2021</u>	<u>2020</u>
Accounts and finance receivable allowance	\$ 2,367,000	\$ 2,185,000
Inventories	428,000	242,000
Accumulated depreciation on property	(1,898,000)	(1,981,000)
Accumulated amortization on goodwill	401,000	325,000
Liabilities and reserves	2,396,000	2,409,000
Deferred compensation	<u>370,000</u>	<u>378,000</u>
Total deferred tax asset, net	<u>\$ 4,064,000</u>	<u>\$ 3,558,000</u>

12. 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 2021 and 2020. 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 2021 and 2020.

The Company also has a deferred compensation plan with officers that provides for the annual accrual of a portion of their salary until retirement. The agreements are contingent upon their continued employment with the Company and payable upon retirement. It also provides for payments to beneficiaries in the event of death. The Company is funding the future obligation by restricting investments, in an amount necessary to approximate the liability at retirement. In addition, during 2020, proceeds were received in settlement of the cash surrender value of an officer's life insurance policy. Expenses related to these agreements were \$81,000 in 2021 and \$80,000 in 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2021 and 2020

13. EMPLOYEE STOCK OWNERSHIP PLAN

The Company has an employee stock ownership plan (ESOP) that 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, 2020, the ESOP held 2,075 shares of stock, which have been fully allocated to participants and valued at \$23,930 per share by an independent and qualified appraisal firm (the "Appraiser"). Based on this value, the aggregate fair market value of the ESOP's shares was approximately \$49,655,000.

As of December 31, 2021, the ESOP held 2,075 shares of stock, which have been fully allocated to participants. The shares have an estimated value of \$28,050 per share as of December 31, 2021, or approximately \$58,204,000 in aggregate, subject to revision upon receipt of the final valuation from the Appraiser, which relies on this audit for financial and other data.

ESOP contribution expense was \$5,000,000 in 2021 and \$4,000,000 in 2020.

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 two largest suppliers accounted for approximately 41% and 46% of purchases during 2021 and 2020, respectively. Any disruptions in the supply chain from these suppliers could be substituted with purchases of similar products from other suppliers.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors of
Cornwell Quality Tools Company and Subsidiary:

We have audited the consolidated financial statements of Cornwell Quality Tools Company and Subsidiary as of and for the years ended December 31, 2021 and 2020, and our report thereon dated March 25, 2022, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 25-28 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidated statements and accompanying note on pages 29-32 using the first-in, first-out (FIFO) method to value inventories are also presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

SiKich LLP

Akron, Ohio
March 25, 2022

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET

December 31, 2021

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 24,468,881	\$ 3,574	\$ -	\$ 24,472,455
Accounts receivable, trade, net	8,665,002	456,704	-	9,121,706
Accounts receivable, subsidiary	22,032,569	8,513,823	(30,546,392)	-
Notes receivable, net	2,609,030	-	-	2,609,030
Finance receivables, net	19,007,487	-	-	19,007,487
Inventories	27,812,344	5,345,831	-	33,158,175
Prepaid expenses and other assets	1,310,393	34,313	-	1,344,706
Refundable income taxes	294,000	-	-	294,000
	<u>106,199,706</u>	<u>14,354,245</u>	<u>(30,546,392)</u>	<u>90,007,559</u>
NONCURRENT ASSETS				
Notes receivable, net of current portion	9,718,752	-	-	9,718,752
Finance receivables, net of current portion	59,693,453	-	-	59,693,453
Note receivable, subsidiary	12,435,791	-	(12,435,791)	-
Investment, subsidiary	1,000,000	-	(1,000,000)	-
Investments, designated	158,562	-	-	158,562
Property, plant and equipment, net	7,386,687	6,850,610	-	14,237,297
Goodwill, net	-	4,029,783	-	4,029,783
Deferred income tax asset	4,064,000	-	-	4,064,000
	<u>94,457,245</u>	<u>10,880,393</u>	<u>(13,435,791)</u>	<u>91,901,847</u>
TOTAL ASSETS	<u>\$ 200,656,951</u>	<u>\$ 25,234,638</u>	<u>\$ (43,982,183)</u>	<u>\$ 181,909,406</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 15,106,368	\$ 626,544	\$ -	\$ 15,732,912
Accounts payable, parent	8,513,823	22,032,569	(30,546,392)	-
Current maturities of capital lease obligation	-	1,476	-	1,476
Current maturities of long-term debt	488,004	-	-	488,004
Accrued expenses	2,680,265	224,483	-	2,904,748
Deferred compensation	116,950	-	-	116,950
Accrued taxes	141,910	56,317	-	198,227
	<u>27,047,320</u>	<u>22,941,389</u>	<u>(30,546,392)</u>	<u>19,442,317</u>
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	2,480,663	-	-	2,480,663
Note payable, parent	-	12,435,791	(12,435,791)	-
Deferred compensation, less current portion	1,255,166	-	-	1,255,166
	<u>3,735,829</u>	<u>12,435,791</u>	<u>(12,435,791)</u>	<u>3,735,829</u>
Total liabilities	<u>30,783,149</u>	<u>35,377,180</u>	<u>(42,982,183)</u>	<u>23,178,146</u>
SHAREHOLDERS' EQUITY (DEFICIT)	<u>169,873,802</u>	<u>(10,142,542)</u>	<u>(1,000,000)</u>	<u>158,731,260</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 200,656,951</u>	<u>\$ 25,234,638</u>	<u>\$ (43,982,183)</u>	<u>\$ 181,909,406</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET

December 31, 2020

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 24,447,075	\$ 457,266	\$ -	\$ 24,904,341
Accounts receivable, trade, net	6,820,877	472,465	-	7,293,342
Accounts receivable, subsidiary	14,116,260	6,067,787	(20,184,047)	-
Notes receivable, net	2,295,218	-	-	2,295,218
Finance receivables, net	17,446,649	-	-	17,446,649
Inventories	15,295,412	4,069,116	-	19,364,528
Prepaid expenses and other assets	1,452,406	38,998	-	1,491,404
	<u>81,873,897</u>	<u>11,105,632</u>	<u>(20,184,047)</u>	<u>72,795,482</u>
NONCURRENT ASSETS				
Notes receivable, net of current portion	8,816,253	-	-	8,816,253
Finance receivables, net of current portion	55,122,095	-	-	55,122,095
Note receivable, subsidiary	12,435,791	-	(12,435,791)	-
Investment, subsidiary	1,000,000	-	(1,000,000)	-
Investments, designated	158,498	-	-	158,498
Property, plant and equipment, net	7,270,425	7,072,510	-	14,342,935
Goodwill, net	-	4,878,158	-	4,878,158
Deferred income tax asset	3,558,000	-	-	3,558,000
	<u>88,361,062</u>	<u>11,950,668</u>	<u>(13,435,791)</u>	<u>86,875,939</u>
TOTAL ASSETS	<u>\$ 170,234,959</u>	<u>\$ 23,056,300</u>	<u>\$ (33,619,838)</u>	<u>\$ 159,671,421</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 13,964,623	\$ 915,990	\$ -	\$ 14,880,613
Accounts payable, parent	6,067,787	14,116,260	(20,184,047)	-
Current maturities of capital lease obligation	-	10,278	-	10,278
Current maturities of long-term debt	1,654,671	-	-	1,654,671
Accrued expenses	2,902,907	230,306	-	3,133,213
Deferred compensation	109,194	-	-	109,194
Accrued taxes	228,585	65,816	-	294,401
	<u>24,927,767</u>	<u>15,338,650</u>	<u>(20,184,047)</u>	<u>20,082,370</u>
LONG-TERM LIABILITIES				
Capital lease obligation, less current maturities	-	1,177	-	1,177
Long-term debt, less current maturities	2,968,663	-	-	2,968,663
Note payable, parent	-	12,435,791	(12,435,791)	-
Deferred compensation, less current portion	1,291,116	-	-	1,291,116
	<u>4,259,779</u>	<u>12,436,968</u>	<u>(12,435,791)</u>	<u>4,260,956</u>
Total long-term liabilities	<u>4,259,779</u>	<u>12,436,968</u>	<u>(12,435,791)</u>	<u>4,260,956</u>
Total liabilities	<u>29,187,546</u>	<u>27,775,618</u>	<u>(32,619,838)</u>	<u>24,343,326</u>
SHAREHOLDERS' EQUITY (DEFICIT)	<u>141,047,413</u>	<u>(4,719,318)</u>	<u>(1,000,000)</u>	<u>135,328,095</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 170,234,959</u>	<u>\$ 23,056,300</u>	<u>\$ (33,619,838)</u>	<u>\$ 159,671,421</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS
for the year ended December 31, 2021

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
SALES	\$ 242,301,828	\$ 19,737,165	\$ (11,388,119)	\$ 250,650,874
Less: Dealer weekly volume incentives	<u>4,967,398</u>	<u>-</u>	<u>-</u>	<u>4,967,398</u>
Sales, net	237,334,430	19,737,165	(11,388,119)	245,683,476
COST OF GOODS SOLD	<u>168,190,455</u>	<u>22,641,574</u>	<u>(11,388,119)</u>	<u>179,443,910</u>
Gross profit	<u>69,143,975</u>	<u>(2,904,409)</u>	<u>-</u>	<u>66,239,566</u>
EXPENSES				
Shipping and warehousing	5,126,690	3,762	-	5,130,452
Selling	18,320,568	539,858	-	18,860,426
General and administrative	12,789,722	1,056,750	-	13,846,472
Employee stock ownership plan contribution	5,000,000	-	-	5,000,000
Goodwill amortization expense	<u>-</u>	<u>848,375</u>	<u>-</u>	<u>848,375</u>
Total expenses	<u>41,236,980</u>	<u>2,448,745</u>	<u>-</u>	<u>43,685,725</u>
Income (loss) before financing operations	<u>27,906,995</u>	<u>(5,353,154)</u>	<u>-</u>	<u>22,553,841</u>
FINANCING OPERATIONS				
Revenues	18,962,777	-	-	18,962,777
Other financing income	<u>1,015,094</u>	<u>-</u>	<u>-</u>	<u>1,015,094</u>
Total financing income	19,977,871	-	-	19,977,871
Expenses	<u>6,784,722</u>	<u>-</u>	<u>-</u>	<u>6,784,722</u>
Income from financing operations	<u>13,193,149</u>	<u>-</u>	<u>-</u>	<u>13,193,149</u>
Income (loss) from operations	<u>41,100,144</u>	<u>(5,353,154)</u>	<u>-</u>	<u>35,746,990</u>
OTHER INCOME (EXPENSE)				
Interest expense	(245,217)	(38,162)	-	(283,379)
Interest income	8,660	-	-	8,660
Other income (expense), net	<u>(141,193)</u>	<u>(96)</u>	<u>-</u>	<u>(141,289)</u>
Other income (expense), net	<u>(377,750)</u>	<u>(38,258)</u>	<u>-</u>	<u>(416,008)</u>
Income (loss) before taxes	40,722,394	(5,391,412)	-	35,330,982
PROVISION FOR INCOME TAXES	<u>8,767,188</u>	<u>31,812</u>	<u>-</u>	<u>8,799,000</u>
Net income (loss)	<u>\$ 31,955,206</u>	<u>\$ (5,423,224)</u>	<u>\$ -</u>	<u>\$ 26,531,982</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS
for the year ended December 31, 2020

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
SALES	\$ 200,502,634	\$ 16,628,148	\$ (9,212,290)	\$ 207,918,492
Less: Dealer weekly volume incentives	<u>3,747,048</u>	-	-	<u>3,747,048</u>
Sales, net	196,755,586	16,628,148	(9,212,290)	204,171,444
COST OF GOODS SOLD	<u>141,997,342</u>	<u>15,134,999</u>	<u>(9,212,290)</u>	<u>147,920,051</u>
Gross profit	<u>54,758,244</u>	<u>1,493,149</u>	-	<u>56,251,393</u>
EXPENSES				
Shipping and warehousing	3,721,692	-	-	3,721,692
Selling	16,379,179	550,411	-	16,929,590
General and administrative	10,418,172	1,035,550	-	11,453,722
Employee stock ownership plan contribution	4,000,000	-	-	4,000,000
Goodwill amortization expense	<u>-</u>	<u>848,375</u>	<u>-</u>	<u>848,375</u>
Total expenses	<u>34,519,043</u>	<u>2,434,336</u>	<u>-</u>	<u>36,953,379</u>
Income (loss) before financing operations	<u>20,239,201</u>	<u>(941,187)</u>	<u>-</u>	<u>19,298,014</u>
FINANCING OPERATIONS				
Revenues	17,208,434	-	-	17,208,434
Other financing income	<u>724,295</u>	<u>-</u>	<u>-</u>	<u>724,295</u>
Total financing income	17,932,729	-	-	17,932,729
Expenses	<u>7,092,884</u>	<u>-</u>	<u>-</u>	<u>7,092,884</u>
Income from financing operations	<u>10,839,845</u>	<u>-</u>	<u>-</u>	<u>10,839,845</u>
Income (loss) from operations	<u>31,079,046</u>	<u>(941,187)</u>	<u>-</u>	<u>30,137,859</u>
OTHER INCOME (EXPENSE)				
Interest expense	(267,277)	(73,806)	-	(341,083)
Interest income	7,085	-	-	7,085
Other income, net	<u>315,793</u>	<u>6,632</u>	<u>-</u>	<u>322,425</u>
Other income (expense), net	<u>55,601</u>	<u>(67,174)</u>	<u>-</u>	<u>(11,573)</u>
Income (loss) before taxes	31,134,647	(1,008,361)	-	30,126,286
PROVISION FOR INCOME TAXES	<u>7,417,438</u>	<u>20,562</u>	<u>-</u>	<u>7,438,000</u>
Net income (loss)	<u>\$ 23,717,209</u>	<u>\$ (1,028,923)</u>	<u>\$ -</u>	<u>\$ 22,688,286</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS - FIFO BASIS

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,472,455	\$ 24,904,341
Accounts receivable, trade, net	9,121,706	7,293,342
Notes receivable, net	2,609,030	2,295,218
Finance receivables, net	19,007,487	17,446,649
Inventories	39,089,741	23,864,029
Prepaid expenses and other assets	1,344,706	1,491,404
Refundable income taxes	294,000	-
	<u>95,939,125</u>	<u>77,294,983</u>
NONCURRENT ASSETS		
Notes receivable, net of current portion	9,718,752	8,816,253
Finance receivables, net of current portion	59,693,453	55,122,095
Investments, designated	158,562	158,498
Property, plant and equipment, net	14,237,297	14,342,935
Goodwill, net	4,029,783	4,878,158
Deferred income tax asset	2,290,000	2,171,000
	<u>90,127,847</u>	<u>85,488,939</u>
TOTAL ASSETS	<u>\$ 186,066,972</u>	<u>\$ 162,783,922</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 15,732,912	\$ 14,880,613
Current maturities of capital lease obligation	1,476	10,278
Current maturities of long-term debt	488,004	1,654,671
Accrued expenses	2,904,748	3,133,213
Deferred compensation	116,950	109,194
Accrued taxes	198,227	294,401
	<u>19,442,317</u>	<u>20,082,370</u>
LONG-TERM LIABILITIES		
Capital lease obligation, less current maturities	-	1,177
Long-term debt, less current maturities	2,480,663	2,968,663
Deferred compensation, less current portion	1,255,166	1,291,116
	<u>3,735,829</u>	<u>4,260,956</u>
Total long-term liabilities	<u>3,735,829</u>	<u>4,260,956</u>
Total liabilities	<u>23,178,146</u>	<u>24,343,326</u>
SHAREHOLDERS' EQUITY	<u>162,888,826</u>	<u>138,440,596</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 186,066,972</u>	<u>\$ 162,783,922</u>

See accompanying notes to consolidated financial statements.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATED STATEMENTS OF OPERATIONS - FIFO BASIS
for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SALES	\$ 250,650,874	\$ 207,918,492
Less: Dealer weekly volume incentives	4,967,398	3,747,048
Sales, net	245,683,476	204,171,444
COST OF GOODS SOLD	<u>178,011,845</u>	<u>147,006,089</u>
Gross profit	<u>67,671,631</u>	<u>57,165,355</u>
EXPENSES		
Shipping and warehousing	5,130,452	3,721,692
Selling	18,860,426	16,929,590
General and administrative	13,846,472	11,453,722
Employee stock ownership plan contribution	5,000,000	4,000,000
Goodwill amortization expense	<u>848,375</u>	<u>848,375</u>
Total expenses	<u>43,685,725</u>	<u>36,953,379</u>
Income before financing operations	<u>23,985,906</u>	<u>20,211,976</u>
FINANCING OPERATIONS		
Revenues	18,962,777	17,208,434
Other financing income	<u>1,015,094</u>	<u>724,295</u>
Total financing income	19,977,871	17,932,729
Expenses	<u>6,784,722</u>	<u>7,092,884</u>
Income from financing operations	<u>13,193,149</u>	<u>10,839,845</u>
Income from operations	<u>37,179,055</u>	<u>31,051,821</u>
OTHER INCOME (EXPENSE)		
Interest expense	(283,379)	(341,083)
Interest income	8,660	7,085
Other income (expense), net	<u>(141,289)</u>	<u>322,425</u>
Other expense, net	<u>(416,008)</u>	<u>(11,573)</u>
Income before taxes	36,763,047	31,040,248
PROVISION FOR INCOME TAXES	<u>9,186,000</u>	<u>7,685,000</u>
Net income	<u>\$ 27,577,047</u>	<u>\$ 23,355,248</u>

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - FIFO BASIS
for the years ended December 31, 2021 and 2020

	* Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount			
BALANCES, DECEMBER 31, 2019	10,635	\$ 106,350	\$ 1,644,189	\$ 115,239,537	\$ 116,990,076
Net income	-	-	-	23,355,248	23,355,248
Dividends paid	-	-	-	(1,904,728)	(1,904,728)
BALANCES, DECEMBER 31, 2020	10,635	106,350	1,644,189	136,690,057	138,440,596
Net income	-	-	-	27,577,047	27,577,047
Dividends paid	-	-	-	(3,128,817)	(3,128,817)
BALANCES, DECEMBER 31, 2021	<u>10,635</u>	<u>\$ 106,350</u>	<u>\$ 1,644,189</u>	<u>\$ 161,138,287</u>	<u>\$ 162,888,826</u>

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,635 shares issued and outstanding at December 31, 2021 and 2020.

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

NOTE TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS – FIFO BASIS
for the years ended December 31, 2021 and 2020

1. BASIS OF PRESENTATION

The accompanying supplemental consolidated balance sheets, statements of operations and changes in shareholders' equity as of December 31, 2021 and 2020 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 net realizable value 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>2021</u>	<u>2020</u>
Raw materials	\$ 6,198,060	\$ 3,335,892
Work in process	3,427,525	2,418,961
Finished goods	<u>29,744,156</u>	<u>18,209,176</u>
	39,369,741	23,964,029
Less obsolescence reserve	<u>280,000</u>	<u>100,000</u>
	<u>\$ 39,089,741</u>	<u>\$ 23,864,029</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 \$1,774,000 in 2021 and \$1,387,000 in 2020. The tax effect increased the provision for income taxes by \$387,000 in 2021 and \$247,000 in 2020.

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



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CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the inclusion in the Minnesota Franchise Disclosure Document with issuance date of April 4, 2022, of our report, dated March 25, 2022, on our audit of the consolidated financial statements of Cornwell Quality Tools Company and Subsidiary.

Sikich LLP

Akron, Ohio
April 4, 2022



Cornwell Quality Tools Company and Subsidiary

Consolidated Financial Statements
December 31, 2022 and 2021

Cohen & Co

cohenpa.com

CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

Board of Directors of
Cornwell Quality Tools Company and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Cornwell Quality Tools Company and Subsidiary (an Ohio corporation), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornwell Quality Tools Company and Subsidiary as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Cornwell Quality Tools Company and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, in 2022, the Company adopted Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Cornwell Quality Tools Company and Subsidiary as of December 31, 2021, were audited by other auditors whose report dated March 25, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornwell Quality Tools Company and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cornwell Quality Tools Company and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornwell Quality Tools Company and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cohen & Company Ltd.

Cleveland, Ohio
March 29, 2023

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,433,675	\$ 24,472,455
Accounts receivable, trade - Net	10,017,373	9,121,706
Notes receivable - Net	2,920,164	2,609,030
Finance receivables - Net	21,249,210	19,007,487
Inventories - Net	41,061,681	33,158,175
Prepaid expenses and other assets	1,949,173	1,344,706
Refundable income taxes	205,000	294,000
Total current assets	<u>96,836,276</u>	<u>90,007,559</u>
NONCURRENT ASSETS		
Notes receivable, net of current portion	11,429,113	9,718,752
Finance receivables, net of current portion	65,818,519	59,693,453
Investments, designated	161,109	158,562
Property, plant and equipment - Net	17,536,620	14,237,297
Operating lease right-of-use assets	6,308,869	-
Goodwill - Net	3,181,407	4,029,783
Deferred income tax asset	4,010,000	4,064,000
Total noncurrent assets	<u>108,445,637</u>	<u>91,901,847</u>
TOTAL ASSETS	<u>\$ 205,281,913</u>	<u>\$ 181,909,406</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 14,661,121	\$ 15,732,912
Current maturities of capital lease obligation	-	1,476
Current maturities of long-term debt	-	488,004
Current portion of operating lease liabilities	562,857	-
Accrued expenses	3,462,293	2,904,748
Deferred compensation	125,226	116,950
Accrued taxes	233,605	198,227
Total current liabilities	<u>19,045,102</u>	<u>19,442,317</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	-	2,480,663
Long-term portion of operating lease liabilities	5,755,118	-
Deferred compensation, less current portion	1,202,553	1,255,166
Total long-term liabilities	<u>6,957,671</u>	<u>3,735,829</u>
TOTAL LIABILITIES	<u>26,002,773</u>	<u>23,178,146</u>
CONTINGENCIES		
SHAREHOLDERS' EQUITY		
	<u>179,279,140</u>	<u>158,731,260</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 205,281,913</u>	<u>\$ 181,909,406</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SALES	\$ 261,700,918	\$ 250,650,874
Less: Dealer weekly volume incentives	<u>4,853,504</u>	<u>4,967,398</u>
Sales - Net	256,847,414	245,683,476
 COST OF GOODS SOLD	 <u>189,302,096</u>	 <u>179,443,910</u>
Gross profit	<u>67,545,318</u>	<u>66,239,566</u>
 EXPENSES		
Shipping and warehousing	6,303,177	5,130,452
Selling	22,437,835	18,860,426
General and administrative	14,328,545	13,846,472
Employee stock ownership plan contribution	5,000,000	5,000,000
Goodwill amortization expense	<u>848,375</u>	<u>848,375</u>
Total expenses	<u>48,917,932</u>	<u>43,685,725</u>
 Income before financing operations	 <u>18,627,386</u>	 <u>22,553,841</u>
 FINANCING OPERATIONS		
Revenues	19,598,514	18,962,777
Other financing income	<u>1,069,676</u>	<u>1,015,094</u>
 Total financing income	 20,668,190	 19,977,871
 Expenses	 <u>7,213,203</u>	 <u>6,784,722</u>
Income from financing operations	<u>13,454,987</u>	<u>13,193,149</u>
Income from operations	<u>32,082,373</u>	<u>35,746,990</u>
 OTHER INCOME (EXPENSE)		
Interest expense	(247,651)	(283,379)
Interest income	325,161	8,660
Other expense - Net	<u>(65,870)</u>	<u>(141,289)</u>
 Other income (expense) - Net	 <u>11,640</u>	 <u>(416,008)</u>
 Income before taxes	 32,094,013	 35,330,982
 PROVISION FOR INCOME TAXES	 <u>8,204,498</u>	 <u>8,799,000</u>
 NET INCOME	 <u>\$ 23,889,515</u>	 <u>\$ 26,531,982</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2022 AND 2021

	* Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount			
BALANCE - JANUARY 1, 2021	10,635	\$ 106,350	\$ 1,644,189	\$ 133,577,556	\$ 135,328,095
Net income	-	-	-	26,531,982	26,531,982
Dividends paid	-	-	-	(3,128,817)	(3,128,817)
BALANCE - DECEMBER 31, 2021	10,635	106,350	1,644,189	156,980,721	158,731,260
Net income	-	-	-	23,889,515	23,889,515
Dividends paid	-	-	-	(3,341,635)	(3,341,635)
BALANCE - DECEMBER 31, 2022	<u>10,635</u>	<u>\$ 106,350</u>	<u>\$ 1,644,189</u>	<u>\$ 177,528,601</u>	<u>\$ 179,279,140</u>

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,635 shares issued and outstanding at December 31, 2022 and 2021.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 274,163,137	\$ 262,033,263
Cash paid to suppliers and employees	(246,024,091)	(234,869,277)
Cash paid to related party	(454,894)	(445,788)
Interest received (paid) - Net	79,558	(272,281)
Income taxes paid	(8,052,391)	(9,680,000)
Net cash from operating activities	<u>19,711,319</u>	<u>16,765,917</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance receivables originated	(53,470,840)	(48,450,878)
Finance receivables repaid	39,955,427	37,396,682
Deposits in investments - Designated	(2,547)	(64)
Capital expenditures	(4,920,361)	(1,352,426)
Proceeds on disposal of property and equipment	-	2,346
Net cash from investing activities	<u>(18,438,321)</u>	<u>(12,404,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of capital lease obligation	(1,476)	(9,979)
Repayments of long-term debt	(2,968,667)	(1,654,667)
Cash dividends paid	(3,341,635)	(3,128,817)
Net cash from financing activities	<u>(6,311,778)</u>	<u>(4,793,463)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(5,038,780)</u>	<u>(431,886)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,472,455</u>	<u>24,904,341</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 19,433,675</u>	<u>\$ 24,472,455</u>
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net income	\$ 23,889,515	\$ 26,531,982
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Provision for finance credit losses	5,148,624	4,922,000
Provision for uncollectible accounts and notes receivables	369,435	442,120
Change in LIFO reserve	2,537,306	1,432,065
Change in inventory obsolescence reserve	112,256	180,000
Depreciation	1,621,038	1,484,314
Goodwill amortization	848,376	848,375
Operating lease expense	577,476	-
Gain on disposal of property and equipment	-	(2,346)
Change in deferred income tax asset	54,000	(506,000)
(Increase) decrease in operating assets:		
Accounts receivable, trade	(1,265,102)	(2,270,484)
Notes receivable	(2,021,495)	(1,216,311)
Inventories	(10,553,068)	(15,405,712)
Prepaid expenses and other assets	(604,467)	120,448
Refundable income taxes	89,000	(294,000)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,071,791)	852,299
Accrued expenses	557,545	(228,465)
Accrued taxes	35,378	(96,174)
Operating lease liabilities	(568,370)	-
Deferred compensation	(44,337)	(28,194)
Total adjustments	<u>(4,178,196)</u>	<u>(9,766,065)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 19,711,319</u>	<u>\$ 16,765,917</u>
SUPPLEMENTAL FINANCIAL INFORMATION		
Cash paid for operating leases	<u>\$ 671,338</u>	<u>\$ -</u>
NONCASH INVESTING AND FINANCING ACTIVITY		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 6,886,345</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Cornwell Quality Tools Company and Subsidiary (the Company) is a manufacturer and distributor of hand-held tools, toolboxes, diagnostic equipment 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 of America and parts of Europe. Purchased parts account for approximately 93% of sales in 2022 and 2021, respectively. The Company maintains manufacturing facilities in Ohio and Pennsylvania and distribution centers in Ohio and Utah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements of Cornwell Quality Tools Company and Subsidiary include the accounts of Cornwell Quality Tools and its wholly owned subsidiary, CQT Kennedy, LLC, collectively referred to as the Company. All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Variable Interest Entity

The Company is the primary beneficiary of an affiliated leasing entity that was formed for the purpose of holding real estate which is leased to the Company. The affiliated leasing entity generates substantially all of its revenue from the Company. The Company accounts for the variable interest entity (VIE) under the alternative accounting guidance issued by the Financial Accounting Standards Board (FASB). This alternative accounting treatment permits privately held companies meeting certain criteria from having to apply existing VIE consolidation guidance to common control leasing arrangements while maintaining compliance with GAAP. This alternative accounting guidance still requires certain disclosures pertaining to its relationship with the VIE entity, which have been disclosed in Note 9.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash held in banks and all highly liquid investments purchased with original maturities of three months or less. The Company's cash balances at banks may, at times, exceed the limits of related federal deposit insurance. The Company has not experienced any losses, material or otherwise, due to this concentration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The opening balance of accounts receivable - net as of January 1, 2021, was \$7,293,342.

Notes Receivable

During the ordinary course of business, customers may refinance their trade accounts receivable and create an installment loan. These loan terms are typically from one to five years with payments due weekly ranging between \$218 and \$417 including interest ranging between 10% and 17%. Interest is charged and recognized 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. As of December 31, 2022 and 2021, the Company had an allowance for uncollectible accounts of \$250,000.

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

On December 31, 2022, contractual maturities of gross notes receivables were as follows:

2023	\$ 3,170,164
2024	4,239,693
2025	3,405,977
2026	2,380,212
2027	966,621
Thereafter	436,610
	<u>\$ 14,599,277</u>

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 financing fees or costs on originated loans. Deferred financing fees are amortized on a straight-line basis over a 36-month period which approximates the life of the finance receivables.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Finance Receivables (continued)

From time to time, the Company sells finance receivables that have been previously charged off. Proceeds from sales of the loans were \$200,364 in 2022 and \$204,814 in 2021 and are included in the income from financing operations in the consolidated 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 increased by \$8,468,872 and \$5,931,566 at December 31, 2022 and 2021, respectively, and net income after taxes would have increased by \$1,852,306 in 2022 and by \$1,045,065 in 2021.

Special Dealer Program

Deferred financing incentive expense for the special dealer program is amortized on a straight-line basis over a 36-month period. The program ended as of December 31, 2021, therefore, there are no remaining fees to amortize in 2022, or in future years. Amortization expense totaled \$26,250 in 2021.

Investments - Designated

The Company designated investments to be used at a future date for the purpose of funding a portion of the deferred compensation liability. Designated investments have been deposited in a separate account during 2022 and 2021.

Goodwill

The Company recognized \$8,483,752 of goodwill related to Cornwell Quality Tools Company's acquisition of CQT Kennedy, LLC. The Company accounts for goodwill in accordance with alternative accounting guidance issued by the FASB. This alternative accounting treatment permits privately held companies to amortize goodwill on a straight-line basis over a period not to exceed 10 years while maintaining compliance with GAAP. Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value. Management has determined that there is no impairment of goodwill for the years ended December 31, 2022 and 2021. Amortization expense totaled \$848,376 in 2022 and \$848,375 in 2021, respectively, and accumulated amortization totaled \$5,302,345 at December 31, 2022 and \$4,453,969 at December 31, 2021. Goodwill will amortize at the annual amount of \$848,376 in 2023, 2024, and 2025, with the remaining amount of \$636,279 being amortized in 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,621,038 in 2022 and \$1,484,314 in 2021.

Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated 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 consolidated financial statements.

Advertising

Advertising primarily consists of the Company's catalog, bulletins, flyers, sponsorships and advertising in national publications for the Company's products, which are amortized over one year or less. Advertising expense was \$2,911,439 in 2022 and \$2,170,068 in 2021.

Income Taxes

The Company is taxed as a C-Corporation and, accordingly, a provision (benefit) for federal and state taxes has been recorded in the consolidated financial statements.

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when management determines a portion or all of the deferred tax assets will more likely than not be recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company generates revenue from various financing programs that include: (i) installment sales contracts arising from tool dealers wishing to provide financing to their customers on an extended-term payment plan and (ii) business loans to tool dealers for inventory. Interest income from finance receivables is recognized using the interest method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 120 days or more. The accrual is resumed when the loan becomes contractually current, and past due interest income is recognized at that time.

The decision to finance through the Company or another financing source is solely at the election of the customer. When assessing customers for potential financing, the Company considers various factors regarding ability to pay, including the customers' financial condition, debt-servicing ability, past payment experience and credit bureau and proprietary credit model information, as well as the value of the underlying collateral. See Note 5 for information on credit quality indicators and monitoring.

The Company enters into contracts with customers related to the selling of products. At contract inception, an assessment of the products promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a product (or bundle of products). To identify the performance obligations, the Company considers all of the products promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Contracts with customers are comprised of customer purchase orders, invoices and written contracts.

Revenue from the sale of products is recognized at a point in time when the Company's performance obligations are satisfied, which generally occurs at a point in time when title and control of the product is transferred to the customer at shipping point. Once a product has shipped, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from the asset. Customer payments are typically due within 30 days of billing or over the terms set out in the financing program, depending on the contract.

In some cases, the nature of the Company's contracts give rise to variable consideration, including weekly dealer volume discounts, rebates, credits, allowances for returns or other similar items that generally decrease the transaction price. These variable amounts generally are credited to the customer, based on achieving certain levels of sales activity or product returns.

In the normal course of business, the Company allows dealers to return product per the provisions in the franchise agreement that allow for the return of product in a saleable condition. For other customers, product returns are generally not accepted unless the item is defective as manufactured. Estimated product returns are recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and is adjusted for known trends to arrive at the amount of consideration to which the Company expects to receive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Disaggregation of Revenue

All sales revenue results from product sales and is recognized at a point in time. Products are sold primarily to independent tool dealers and other industrial users throughout the United States of America and parts of Europe. Qualitative factors that affect revenue recognition and cash flows include, uninterrupted supply chain for components used to manufacture products, purchased products, availability of labor, and prompt payment by customers.

Performance Obligation

The Company's contracts for the sale of products contain a single performance obligation. The performance obligation is satisfied when the product is shipped to the customer.

Significant Judgments and Estimates

Other than variable consideration previously noted, there are no significant judgments involved in the recognition of revenue from the sale of products.

Shipping and Handling Costs

The Company has elected to treat shipping and handling costs as contract fulfillment activities. Shipping and handling revenue is included in sales and the related costs are included in cost of goods sold in the accompanying consolidated statements of operations.

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 expensed as incurred. The Company's policy is also considered an assurance warranty and, therefore, does not constitute variable consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value

The Company applies fair value measurements in accordance with GAAP, 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).

At December 31, 2022 and 2021, included in investments designated on the consolidated balance sheets, are money market funds with a fair value of \$161,109 and \$158,562, respectively. The designated investments are measured on a Level 1 basis at December 31, 2022 and 2021, as defined by GAAP.

Concentrations of Credit Risk

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

Adoption of New Accounting Pronouncement - Leases

In February 2016, the FASB issued accounting standards update (ASU) 2016-02, *Leases* (known as FASB Accounting Standards Codification [ASC] 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated balance sheet. Most prominent among the changes in ASC 842 is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, expanded disclosures are required about the nature and terms of lease agreements to enable users of the consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The comparative information presented in the accompanying consolidated financial statements continues to be reported under prior lease guidance in accordance with ASC 840.

The Company adopted the provisions of ASC 842 effective January 1, 2022, and recognized and measured leases existing at, or entered into after the beginning of the period of adoption, with certain practical expedients available. The adoption of ASC 842 had a material impact on the Company's consolidated balance sheet but did not have a material impact on the Company's consolidated statements of operations, shareholders' equity and cash flows. No cumulative adjustment to retained earnings was needed upon adoption. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The Company does not have any finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement - Leases (continued)

Concurrent with the adoption of ASC 842, the Company elected the following implementation package of practical expedients: to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of ASC 842, the Company recognized operating lease liabilities of \$6,117,845 on January 1, 2022, which represents the present value of the remaining operating lease payments of \$6,769,409 discounted using the risk-free rate, and related ROU assets of the same amounts.

Leases

The Company determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based primarily on the present value of lease payments over the lease term. In determining the discount rate used to measure the ROU assets and lease liabilities, the Company uses rates implicit in the lease, when available. If the rate implicit in the lease is not readily available, the Company has elected to use a risk-free rate for all classes of assets. The risk-free rate used is the U.S. Treasury Bill Rate in effect at the commencement of the lease for a similar term. The operating lease ROU assets also include any lease payments made at commencement and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

The Company elected to apply the short-term lease exemption. Under this exemption, ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less. The Company does not currently have any short-term lease arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Company has lease agreements with both lease and non-lease components, which are generally accounted for separately. In allocating consideration in the contract to the separate lease components and the non-lease components, the Company uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

The Company has certain leases which are triple net leases, whereby the lessee pays all utilities, insurance, real estate taxes and maintenance associated with the property. These costs are considered to be lessee costs recognized in the consolidated statement of operations in the period in which the related obligation is incurred.

Leases Prior to the Adoption of ASC 842

Prior to the adoption of ASC 842, under ASC 840, lease expenses related to operating leases were recognized on a straight-line basis over the lease term with disclosures made regarding future minimum payments. Prior to the adoption of ASC 842, there was no recognition of operating leases on the consolidated balance sheet.

Subsequent Events

Management of the Company has evaluated subsequent events through March 29, 2023, which was the date that these consolidated financial statements were available for issuance and determined there are no significant non-recognized subsequent events through that date.

3. 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>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 333,000	\$ 334,000
Provision for bad debts	369,435	442,120
Write-offs	(413,994)	(530,401)
Recoveries	<u>59,559</u>	<u>87,281</u>
Balance - end of year	<u>\$ 348,000</u>	<u>\$ 333,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN THE VALUATION ALLOWANCE FOR TRADE ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE (Continued)

The allowance for doubtful accounts is presented net in the Company's consolidated balance sheets as follows at December 31:

	<u>2022</u>	<u>2021</u>
Accounts receivable, trade	\$ 98,000	\$ 83,000
Notes receivable	<u>250,000</u>	<u>250,000</u>
	<u>\$ 348,000</u>	<u>\$ 333,000</u>

4. FINANCE RECEIVABLES

The Company engages in providing commercial financing services to tool dealers wishing to provide financing to their customers. The Company's finance receivables, which are comprised primarily of contracts with a maximum of 60 monthly installments, are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Finance receivables	\$ 103,852,157	\$ 94,135,342
Deductions:		
Reserve for finance credit losses	(9,046,877)	(8,212,000)
Deferred financing fees	<u>(7,737,551)</u>	<u>(7,222,402)</u>
	87,067,729	78,700,940
Less current maturities	<u>21,249,210</u>	<u>19,007,487</u>
Long-term finance receivables	<u>\$ 65,818,519</u>	<u>\$ 59,693,453</u>

On December 31, 2022, contractual maturities of finance receivables were as follows:

2023	\$ 34,584,448
2024	32,054,405
2025	24,975,577
2026	11,101,839
2027	<u>1,135,888</u>
	<u>\$ 103,852,157</u>

At December 31, 2022, current maturities of finance receivables as reported on the consolidated balance sheet consist of gross receivables of \$34,584,448 less the reserve for finance credit losses of \$9,046,877 less the current portion of deferred financing fees of \$4,288,361.

At December 31, 2021, current maturities of finance receivables as reported on the consolidated balance sheet consist of gross receivables of \$31,196,087 less the reserve for finance credit losses of \$8,212,000 less the current portion of deferred financing fees of \$3,976,600.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCE RECEIVABLES (Continued)

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 \$39,955,427 in 2022 and \$37,396,682 in 2021, and the ratios of these cash collections to average principal balances were approximately 40% in 2022 and 41% in 2021. Approximate changes in the allowance for credit losses for finance receivables were as follows:

	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 8,212,000	\$ 7,553,000
Provision for credit losses	5,149,000	4,922,000
Loans charged off	(4,515,000)	(4,754,000)
Recoveries	<u>201,000</u>	<u>491,000</u>
Balance - end of year	<u>\$ 9,047,000</u>	<u>\$ 8,212,000</u>

5. CREDIT QUALITY OF FINANCE AND NOTES RECEIVABLES

The Company actively monitors the credit quality of finance and notes receivables by performing a 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, 2012, 2016, February 2018, and September 2021. 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. In the February 2018 revalidation, the introduction of FICO scores as an additional qualifier was added. 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>2022</u>	<u>2021</u>
Notes receivable:		
Beacon score > 650	<u>\$ 14,599,277</u>	<u>\$ 12,577,782</u>
Finance receivables:		
Blue Ribbon rating	<u>\$ 231,539</u>	<u>\$ 279,332</u>
Scorecard:		
415 - 419 - High risk	204,513	259,867
420 - 429	9,071,202	8,790,201
430 - 439	9,055,009	8,281,361
440 - 449	20,169,565	17,490,710
450 - 459	34,058,455	29,198,116
>= 460 - Low risk	<u>31,061,874</u>	<u>29,835,755</u>
Subtotal Scorecard	<u>103,620,618</u>	<u>93,856,010</u>
Total finance receivables	<u>\$ 103,852,157</u>	<u>\$ 94,135,342</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. 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>2022</u>	<u>2021</u>
Current (not past due) notes receivable	\$ <u>14,599,277</u>	\$ <u>12,577,782</u>
Finance receivables:		
Current (not past due)	\$ 97,915,338	\$ 90,103,054
30-59 days past due	2,170,262	1,782,010
60-89 days past due	2,270,020	997,733
Greater than 90 days past due	<u>1,496,537</u>	<u>1,252,545</u>
Total finance receivables	<u>\$ 103,852,157</u>	<u>\$ 94,135,342</u>

6. INVENTORIES

Inventories – net consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Raw materials	\$ 5,882,360	\$ 6,198,060
Work in process	3,503,205	3,427,525
Finished goods	<u>40,537,244</u>	<u>29,744,156</u>
	49,922,809	39,369,741
Less: Obsolescence reserve	392,256	280,000
Less: LIFO reserve	<u>8,468,872</u>	<u>5,931,566</u>
Total inventories - Net	<u>\$ 41,061,681</u>	<u>\$ 33,158,175</u>

7. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 815,005	\$ 692,495
Buildings and improvements	11,522,447	9,104,853
Machinery and equipment	14,900,272	12,555,920
Office furniture and fixtures	5,564,520	5,063,804
Transportation equipment	182,305	182,305
Construction in progress	<u>75,023</u>	<u>654,604</u>
	33,059,572	28,253,981
Less: Accumulated depreciation	<u>15,522,952</u>	<u>14,016,684</u>
Property, plant and equipment - Net	<u>\$ 17,536,620</u>	<u>\$ 14,237,297</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Leasehold improvements are amortized over 4 - 35 years, which is the shorter of the useful life of the leasehold improvement or the lease term including renewal periods that are reasonably assured. The Company leases its office from a related party under a ten-year operating lease, ending November 2025. If the lease is not extended to equal the life of the leasehold improvements, the landlord has represented to the Company that it will be reimbursed for the remaining unamortized cost of the leasehold improvements.

8. FINANCING

The Company has a line of credit agreement with a bank. Under the terms of the agreement, the Company can borrow up to \$8,000,000, collateralized by substantially all owned assets of the Company. The agreement, which expires July 31, 2024, requires monthly interest payments at the daily Secured Overnight Financing Rate (SOFR) 4.30% at December 31, 2022 plus 1.35% (5.65% at December 31, 2022). There is \$8,000,000 availability on this line of credit with no advances outstanding at December 31, 2022 and 2021, respectively.

The Company also has an agreement with a bank that is collateralized by substantially all owned assets of the Company that featured a \$5,500,000 line of credit for the construction of a new warehouse and \$7,000,000 term note for the acquisition of a business. On January 5, 2018, the outstanding balance on the line of credit agreement for the construction of a new warehouse was converted into a \$4,880,000 term note. The term note is payable in monthly principal installments of \$40,667 plus interest at a fixed rate of 3.77%, with a balloon payment for the remaining principal owed on January 5, 2023. The remaining balance on the term note was paid in full during 2022. The amount outstanding on this term note was zero and \$2,968,667 at December 31, 2022 and 2021, respectively.

The line of credit and term debt agreements contained various covenants, the most restrictive of which required the Company to maintain a minimum level of fixed charge coverage. The Company was in compliance with those covenants at December 31, 2022 and 2021.

9. LEASES

Leases Under ASC 842

The Company had operating leases for equipment and facilities from unrelated parties with terms varying through December 2027. Lease expense under these leases totaled \$363,286 in 2022. The following is a schedule of future minimum lease payments with remaining terms of one year or more:

2023	\$	225,600
2024		234,624
2025		244,009
2026		253,769
2027		<u>263,920</u>
Total undiscounted cash flows		1,221,922
Less: present value discount		<u>78,806</u>
Total lease liabilities	\$	<u>1,143,116</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. LEASES (Continued)

Leases under ASC 842 (continued)

The Company leases its warehouse and office facilities in Wadsworth, Ohio from a related party, with terms to expire in 2035. The leases include two five-year options to extend the leases for up to ten years. The Company pays all insurance and operating costs associated with the real estate. Lease expense under these facilities totaled \$455,788 in 2022. The following is a schedule of future minimum lease payments for these leases:

2023	\$	445,788
2024		445,788
2025		445,788
2026		445,788
2027		445,788
Thereafter		<u>3,502,857</u>
Total undiscounted cash flows		5,731,797
Less: present value discount		<u>556,938</u>
Total lease liabilities	\$	<u>5,174,859</u>

For the year ended December 31, 2022, other information related to the Company's leases consisted of the following:

Weighted average remaining lease term:	11.44 years
Weighted average discount rate:	1.81%

In December 2022, the Company entered into a forward-starting lease agreement for a warehouse in Clearfield, Utah with the lease scheduled to commence January 2023. The lease agreement will have a total of approximately \$1,128,000 in undiscounted future lease payments over the five-year term of the lease.

Leases Under ASC 840

During 2021, the Company had operating leases with unrelated parties for various equipment and facilities under cancelable and non-cancelable operating leases with terms varying from less than one year to four years. Rent expense under these leases totaled \$358,016 in 2021. At December 31, 2021, minimum annual rentals for these leases are as follows:

2022	\$	297,215
2023		73,291
2024		20,703
2025		<u>3,697</u>
	\$	<u>394,906</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. LEASES (Continued)

Leases Under ASC 840 (continued)

During 2021, the Company had operating leases for its warehouse and office facilities in Wadsworth, Ohio with a related party. The leases expire in 2025. Rent expense under these leases totaled \$445,788 in 2021. At December 31, 2021, minimum annual rentals for these leases are as follows:

2022	\$ 445,788
2023	445,788
2024	445,788
2025	<u>382,341</u>
	<u>\$ 1,719,705</u>

10. INCOME TAXES

The net income tax provision is comprised of approximately the following:

	<u>2022</u>	<u>2021</u>
Current tax provision, federal	\$ 6,286,000	\$ 7,460,000
Current tax provision, state	1,864,000	1,845,000
Deferred tax expense (benefit), federal and state	<u>54,000</u>	<u>(506,000)</u>
	<u>\$ 8,204,000</u>	<u>\$ 8,799,000</u>

The difference between the effective tax rate for financial reporting of 27% in 2022 and 2021, and the federal and state statutory tax rates is due to applying actual state statutory tax rates and nondeductible items not included for financial reporting purposes.

Deferred income taxes are provided for the temporary differences between the tax basis and the financial reporting 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>2022</u>	<u>2020</u>
Accounts and finance receivable allowance	\$ 2,599,000	\$ 2,367,000
Inventories	490,000	428,000
Accumulated depreciation on property	(2,463,000)	(1,898,000)
Accumulated amortization on goodwill	477,000	401,000
Liabilities and reserves	2,548,000	2,396,000
Deferred compensation	<u>359,000</u>	<u>370,000</u>
Total deferred tax asset - Net	<u>\$ 4,010,000</u>	<u>\$ 4,064,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RETIREMENT PLANS

The Company maintains a profit-sharing plan (the 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 2022 and 2021. 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 2022 and 2021.

The Company also has a deferred compensation plan with officers that provides for the annual accrual of a portion of their salary until retirement. The agreements are contingent upon their continued employment with the Company and payable upon retirement. It also provides for payments to beneficiaries in the event of death. The Company is funding the future obligation by restricting investments, in an amount necessary to approximate the liability at retirement. Expenses related to these agreements were \$72,605 in 2022 and \$81,000 in 2021.

12. EMPLOYEE STOCK OWNERSHIP PLAN

The Company has an employee stock ownership plan (ESOP) that 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, 2022 and 2021, the ESOP held 2,075 shares of stock, which have been fully allocated to participants. The shares have an estimated value of \$28,050 per share, or \$58,203,750 in the aggregate, based upon the December 31, 2021, valuation from the Appraiser. The fair value as of December 31, 2022, is subject to change upon the final valuation from the Appraiser.

ESOP contribution expense was \$5,000,000 in 2022 and 2021, respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. CONTINGENCIES (Continued)

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 31% and 41% of purchases during 2022 and 2021, respectively. Any disruptions in the supply chain from these suppliers could be substituted with purchases of similar products from other suppliers.

Independent Auditor's Report on Supplemental Information

The Board of Directors of
Cornwell Quality Tools Company and Subsidiary

We have audited the consolidated financial statements of Cornwell Quality Tools Company and Subsidiary as of and for the year ended December 31, 2022, and our report thereon dated March 29, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 2-3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 26 and 28 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidated statements and accompanying note on pages 30-33 using the first-in, first-out (FIFO) method to value inventories are also presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The 2022 information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The consolidating statements on pages 27 and 29 related to the consolidated statements of Cornwell Quality Tools Company and Subsidiary as of and for the year ended December 31, 2021, and the 2021 information presented on pages 30-33 using the FIFO method to value inventories, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. These statements were audited by other auditors whose report dated March 25, 2022, expressed an unmodified opinion on those statements.

Cohen & Company Ltd.

Cleveland, Ohio
March 29, 2023

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2022

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 19,153,648	\$ 280,027	\$ -	\$ 19,433,675
Accounts receivable, trade - Net	9,258,048	759,325	-	10,017,373
Accounts receivable - Subsidiary	26,726,542	12,115,657	(38,842,199)	-
Notes receivable - Net	2,920,164	-	-	2,920,164
Finance receivables - Net	21,249,210	-	-	21,249,210
Inventories - Net	37,523,059	3,538,622	-	41,061,681
Prepaid expenses and other assets	1,939,980	9,193	-	1,949,173
Refundable income taxes	205,000	-	-	205,000
Total current assets	<u>118,975,651</u>	<u>16,702,824</u>	<u>(38,842,199)</u>	<u>96,836,276</u>
NONCURRENT ASSETS				
Notes receivable, net of current portion	11,429,113	-	-	11,429,113
Finance receivables, net of current portion	65,818,519	-	-	65,818,519
Note receivable - Subsidiary	12,435,791	-	(12,435,791)	-
Investment - Subsidiary	1,000,000	-	(1,000,000)	-
Investments, designated	161,109	-	-	161,109
Property, plant and equipment - Net	11,284,780	6,251,840	-	17,536,620
Operating lease right of use assets	6,308,869	-	-	6,308,869
Goodwill - Net	-	3,181,407	-	3,181,407
Deferred income tax asset	4,010,000	-	-	4,010,000
Total noncurrent assets	<u>112,448,181</u>	<u>9,433,247</u>	<u>(13,435,791)</u>	<u>108,445,637</u>
TOTAL ASSETS	<u>\$ 231,423,832</u>	<u>\$ 26,136,071</u>	<u>\$ (52,277,990)</u>	<u>\$ 205,281,913</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 14,233,425	\$ 427,696	\$ -	\$ 14,661,121
Accounts payable - Parent	12,115,657	26,726,542	(38,842,199)	-
Current portion of operating lease liabilities	562,857	-	-	562,857
Accrued expenses	3,034,056	428,237	-	3,462,293
Deferred compensation	125,226	-	-	125,226
Accrued taxes	174,736	58,869	-	233,605
Total current liabilities	<u>30,245,957</u>	<u>27,641,344</u>	<u>(38,842,199)</u>	<u>19,045,102</u>
LONG-TERM LIABILITIES				
Long-term portion of operating lease liabilities	5,755,118	-	-	5,755,118
Note payable - Parent	-	12,435,791	(12,435,791)	-
Deferred compensation, less current portion	1,202,553	-	-	1,202,553
Total long-term liabilities	<u>6,957,671</u>	<u>12,435,791</u>	<u>(12,435,791)</u>	<u>6,957,671</u>
TOTAL LIABILITIES	<u>37,203,628</u>	<u>40,077,135</u>	<u>(51,277,990)</u>	<u>26,002,773</u>
CONTINGENCIES				
SHAREHOLDERS' EQUITY (DEFICIT)	<u>194,220,204</u>	<u>(13,941,064)</u>	<u>(1,000,000)</u>	<u>179,279,140</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 231,423,832</u>	<u>\$ 26,136,071</u>	<u>\$ (52,277,990)</u>	<u>\$ 205,281,913</u>

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2021

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 24,468,881	\$ 3,574	\$ -	\$ 24,472,455
Accounts receivable, trade - Net	8,665,002	456,704	-	9,121,706
Accounts receivable - Subsidiary	22,032,569	8,513,823	(30,546,392)	-
Notes receivable - Net	2,609,030	-	-	2,609,030
Finance receivables - Net	19,007,487	-	-	19,007,487
Inventories - Net	27,812,344	5,345,831	-	33,158,175
Prepaid expenses and other assets	1,310,393	34,313	-	1,344,706
Refundable income taxes	294,000	-	-	294,000
Total current assets	<u>106,199,706</u>	<u>14,354,245</u>	<u>(30,546,392)</u>	<u>90,007,559</u>
NONCURRENT ASSETS				
Notes receivable, net of current portion	9,718,752	-	-	9,718,752
Finance receivables, net of current portion	59,693,453	-	-	59,693,453
Note receivable - Subsidiary	12,435,791	-	(12,435,791)	-
Investment - Subsidiary	1,000,000	-	(1,000,000)	-
Investments, designated	158,562	-	-	158,562
Property, plant and equipment - Net	7,386,687	6,850,610	-	14,237,297
Goodwill - Net	-	4,029,783	-	4,029,783
Deferred income tax asset	4,064,000	-	-	4,064,000
Total noncurrent assets	<u>94,457,245</u>	<u>10,880,393</u>	<u>(13,435,791)</u>	<u>91,901,847</u>
TOTAL ASSETS	<u>\$ 200,656,951</u>	<u>\$ 25,234,638</u>	<u>\$ (43,982,183)</u>	<u>\$ 181,909,406</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 15,106,368	\$ 626,544	\$ -	\$ 15,732,912
Accounts payable - Parent	8,513,823	22,032,569	(30,546,392)	-
Current maturities of capital lease obligation	-	1,476	-	1,476
Current maturities of long-term debt	488,004	-	-	488,004
Accrued expenses	2,680,265	224,483	-	2,904,748
Deferred compensation	116,950	-	-	116,950
Accrued taxes	141,910	56,317	-	198,227
Total current liabilities	<u>27,047,320</u>	<u>22,941,389</u>	<u>(30,546,392)</u>	<u>19,442,317</u>
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	2,480,663	-	-	2,480,663
Note payable - Parent	-	12,435,791	(12,435,791)	-
Deferred compensation, less current portion	1,255,166	-	-	1,255,166
Total long-term liabilities	<u>3,735,829</u>	<u>12,435,791</u>	<u>(12,435,791)</u>	<u>3,735,829</u>
TOTAL LIABILITIES	<u>30,783,149</u>	<u>35,377,180</u>	<u>(42,982,183)</u>	<u>23,178,146</u>
CONTINGENCIES				
SHAREHOLDERS' EQUITY (DEFICIT)	<u>169,873,802</u>	<u>(10,142,542)</u>	<u>(1,000,000)</u>	<u>158,731,260</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 200,656,951</u>	<u>\$ 25,234,638</u>	<u>\$ (43,982,183)</u>	<u>\$ 181,909,406</u>

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
SALES	\$ 251,915,684	\$ 22,648,171	\$ (12,862,937)	\$ 261,700,918
Less: Dealer weekly volume incentives	<u>4,853,504</u>	<u>-</u>	<u>-</u>	<u>4,853,504</u>
Sales - Net	247,062,180	22,648,171	(12,862,937)	256,847,414
COST OF GOODS SOLD	<u>178,516,201</u>	<u>23,648,832</u>	<u>(12,862,937)</u>	<u>189,302,096</u>
Gross profit	<u>68,545,979</u>	<u>(1,000,661)</u>	<u>-</u>	<u>67,545,318</u>
EXPENSES				
Shipping and warehousing	6,300,877	2,300	-	6,303,177
Selling	21,791,074	646,761	-	22,437,835
General and administrative	13,068,550	1,259,995	-	14,328,545
Employee stock ownership plan contribution	5,000,000	-	-	5,000,000
Goodwill amortization expense	<u>46,160,501</u>	<u>848,375</u>	<u>-</u>	<u>848,375</u>
Total expenses	<u>46,160,501</u>	<u>2,757,431</u>	<u>-</u>	<u>48,917,932</u>
Income (loss) before financing operations	<u>22,385,478</u>	<u>(3,758,092)</u>	<u>-</u>	<u>18,627,386</u>
FINANCING OPERATIONS				
Revenues	19,598,514	-	-	19,598,514
Other financing income	<u>1,069,676</u>	<u>-</u>	<u>-</u>	<u>1,069,676</u>
Total financing income	20,668,190	-	-	20,668,190
Expenses	<u>7,213,203</u>	<u>-</u>	<u>-</u>	<u>7,213,203</u>
Income from financing operations	<u>13,454,987</u>	<u>-</u>	<u>-</u>	<u>13,454,987</u>
Income (loss) from operations	<u>35,840,465</u>	<u>(3,758,092)</u>	<u>-</u>	<u>32,082,373</u>
OTHER INCOME (EXPENSE)				
Interest expense	(239,390)	(8,261)	-	(247,651)
Interest income	325,161	-	-	325,161
Other expense - Net	<u>(65,670)</u>	<u>(200)</u>	<u>-</u>	<u>(65,870)</u>
Other income (expense) - Net	<u>20,101</u>	<u>(8,461)</u>	<u>-</u>	<u>11,640</u>
Income (loss) before taxes	35,860,566	(3,766,553)	-	32,094,013
PROVISION FOR INCOME TAXES	<u>8,172,529</u>	<u>31,969</u>	<u>-</u>	<u>8,204,498</u>
NET INCOME (LOSS)	<u>\$ 27,688,037</u>	<u>\$ (3,798,522)</u>	<u>\$ -</u>	<u>\$ 23,889,515</u>

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2021

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
SALES	\$ 242,301,828	\$ 19,737,165	\$ (11,388,119)	\$ 250,650,874
Less: Dealer weekly volume incentives	<u>4,967,398</u>	<u>-</u>	<u>-</u>	<u>4,967,398</u>
Sales - Net	237,334,430	19,737,165	(11,388,119)	245,683,476
COST OF GOODS SOLD	<u>168,190,455</u>	<u>22,641,574</u>	<u>(11,388,119)</u>	<u>179,443,910</u>
Gross profit	<u>69,143,975</u>	<u>(2,904,409)</u>	<u>-</u>	<u>66,239,566</u>
EXPENSES				
Shipping and warehousing	5,126,690	3,762	-	5,130,452
Selling	18,320,568	539,858	-	18,860,426
General and administrative	12,789,722	1,056,750	-	13,846,472
Employee stock ownership plan contribution	5,000,000	-	-	5,000,000
Goodwill amortization expense	<u>-</u>	<u>848,375</u>	<u>-</u>	<u>848,375</u>
Total expenses	<u>41,236,980</u>	<u>2,448,745</u>	<u>-</u>	<u>43,685,725</u>
Income (loss) before financing operations	<u>27,906,995</u>	<u>(5,353,154)</u>	<u>-</u>	<u>22,553,841</u>
FINANCING OPERATIONS				
Revenues	18,962,777	-	-	18,962,777
Other financing income	<u>1,015,094</u>	<u>-</u>	<u>-</u>	<u>1,015,094</u>
Total financing income	19,977,871	-	-	19,977,871
Expenses	<u>6,784,722</u>	<u>-</u>	<u>-</u>	<u>6,784,722</u>
Income from financing operations	<u>13,193,149</u>	<u>-</u>	<u>-</u>	<u>13,193,149</u>
Income (loss) from operations	<u>41,100,144</u>	<u>(5,353,154)</u>	<u>-</u>	<u>35,746,990</u>
OTHER INCOME (EXPENSE)				
Interest expense	(245,217)	(38,162)	-	(283,379)
Interest income	8,660	-	-	8,660
Other expense - Net	<u>(141,193)</u>	<u>(96)</u>	<u>-</u>	<u>(141,289)</u>
Other expense - Net	<u>(377,750)</u>	<u>(38,258)</u>	<u>-</u>	<u>(416,008)</u>
Income (loss) before taxes	40,722,394	(5,391,412)	-	35,330,982
PROVISION FOR INCOME TAXES	<u>8,767,188</u>	<u>31,812</u>	<u>-</u>	<u>8,799,000</u>
NET INCOME (LOSS)	<u>\$ 31,955,206</u>	<u>\$ (5,423,224)</u>	<u>\$ -</u>	<u>\$ 26,531,982</u>

CONSOLIDATED BALANCE SHEET - FIFO BASIS

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,433,675	\$ 24,472,455
Accounts receivable, trade - Net	10,017,373	9,121,706
Notes receivable - Net	2,920,164	2,609,030
Finance receivables - Net	21,249,210	19,007,487
Inventories - Net	49,530,553	39,089,741
Prepaid expenses and other assets	1,949,173	1,344,706
Refundable income taxes	205,000	294,000
Total current assets	<u>105,305,148</u>	<u>95,939,125</u>
NONCURRENT ASSETS		
Notes receivable, net of current portion	11,429,113	9,718,752
Finance receivables, net of current portion	65,818,519	59,693,453
Investments, designated	161,109	158,562
Property, plant and equipment - Net	17,536,620	14,237,297
Operating lease right-of-use assets	6,308,869	-
Goodwill - Net	3,181,407	4,029,783
Deferred income tax asset	1,551,000	2,290,000
Total noncurrent assets	<u>105,986,637</u>	<u>90,127,847</u>
	<u>\$ 211,291,785</u>	<u>\$ 186,066,972</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 14,661,121	\$ 15,732,912
Current maturities of capital lease obligation	-	1,476
Current maturities of long-term debt	-	488,004
Current portion of operating lease liabilities	562,857	-
Accrued expenses	3,462,293	2,904,748
Deferred compensation	125,226	116,950
Accrued taxes	233,605	198,227
Total current liabilities	<u>19,045,102</u>	<u>19,442,317</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	-	2,480,663
Long-term portion of operating lease liabilities	5,755,118	-
Deferred compensation, less current portion	1,202,553	1,255,166
Total long-term liabilities	<u>6,957,671</u>	<u>3,735,829</u>
TOTAL LIABILITIES	<u>26,002,773</u>	<u>23,178,146</u>
SHAREHOLDERS' EQUITY	<u>185,289,012</u>	<u>162,888,826</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 211,291,785</u>	<u>\$ 186,066,972</u>

CONSOLIDATED STATEMENT OF OPERATIONS - FIFO BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SALES	\$ 261,700,918	\$ 250,650,874
Less: Dealer weekly volume incentives	<u>4,853,504</u>	<u>4,967,398</u>
Sales - Net	256,847,414	245,683,476
 COST OF GOODS SOLD	 <u>186,764,790</u>	 <u>178,011,845</u>
Gross profit	70,082,624	67,671,631
 EXPENSES		
Shipping and warehousing	6,303,177	5,130,452
Selling	22,437,835	18,860,426
General and administrative	14,328,545	13,846,472
Employee stock ownership plan contribution	5,000,000	5,000,000
Goodwill amortization expense	<u>848,375</u>	<u>848,375</u>
Total expenses	<u>48,917,932</u>	<u>43,685,725</u>
 Income before financing operations	 <u>21,164,692</u>	 <u>23,985,906</u>
 FINANCING OPERATIONS		
Revenues	19,598,514	18,962,777
Other financing income	<u>1,069,676</u>	<u>1,015,094</u>
Total financing income	20,668,190	19,977,871
 Expenses	 <u>7,213,203</u>	 <u>6,784,722</u>
Income from financing operations	<u>13,454,987</u>	<u>13,193,149</u>
Income from operations	<u>34,619,679</u>	<u>37,179,055</u>
 OTHER INCOME (EXPENSE)		
Interest expense	(247,651)	(283,379)
Interest income	325,161	8,660
Other expense - Net	<u>(65,870)</u>	<u>(141,289)</u>
Other income (expense)	<u>11,640</u>	<u>(416,008)</u>
 Income before taxes	 34,631,319	 36,763,047
 PROVISION FOR INCOME TAXES	 <u>8,889,498</u>	 <u>9,186,000</u>
 NET INCOME	 <u>\$ 25,741,821</u>	 <u>\$ 27,577,047</u>

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY - FIFO BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	* Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount			
BALANCE - JANUARY 1, 2021	10,635	\$ 106,350	\$ 1,644,189	\$ 136,690,057	\$ 138,440,596
Net income	-	-	-	27,577,047	27,577,047
Dividends paid	-	-	-	(3,128,817)	(3,128,817)
BALANCE - DECEMBER 31, 2021	10,635	106,350	1,644,189	161,138,287	162,888,826
Net income	-	-	-	25,741,821	25,741,821
Dividends paid	-	-	-	(3,341,635)	(3,341,635)
BALANCE - DECEMBER 31, 2022	<u>10,635</u>	<u>\$ 106,350</u>	<u>\$ 1,644,189</u>	<u>\$ 183,538,473</u>	<u>\$ 185,289,012</u>

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,635 shares issued and outstanding at December 31, 2022 and 2021.

NOTE TO THE SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS - FIFO BASIS

1. BASIS OF PRESENTATION

The accompanying supplemental consolidated balance sheets, statements of operations and changes in shareholders' equity as of December 31, 2022 and 2021, 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 consolidated financial statements, adjusted for the following:

Inventories

Inventories are valued at the lower of cost or net realizable value 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>2022</u>	<u>2021</u>
Raw materials	\$ 5,882,360	\$ 6,198,060
Work in process	3,503,205	3,427,525
Finished goods	<u>40,537,244</u>	<u>29,744,156</u>
	49,922,809	39,369,741
Less: Obsolescence reserve	<u>392,256</u>	<u>280,000</u>
	<u>\$ 49,530,553</u>	<u>\$ 39,089,741</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 deferred tax assets by \$2,459,000 in 2022 and \$1,774,000 in 2021. The tax effect increased the provision for income taxes by \$685,000 in 2022 and \$387,000 in 2021.

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

Board of Directors
Cornwell Quality Tools, Inc. and Subsidiary

We have audited the consolidated financial statements of Cornwell Quality Tools, Inc. and Subsidiary for the year ended December 31, 2022, and have issued our report thereon dated March 29, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 8, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Company are described in Note 2 to the consolidated financial statements. As described in Note 2, the Company changed accounting policies related to Leases by adopting FASB Accounting Standards Update No. 2016-02, in 2022. No other accounting policies were changed during 2022. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

Management's estimate of the allowance for doubtful accounts, excess and obsolete inventory reserve, and the estimated useful lives of fixed assets and intangibles. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the consolidated financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period consolidated financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the consolidated financial statements under audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the consolidated financial statements themselves.

* * * * *

This information is intended solely for the use of the Board of Directors and management of Cornwell Quality Tools, Inc. and Subsidiary, and is not intended to be, and should not be, used by anyone other than these specified parties.

Cohen & Company Ltd.

Cleveland, Ohio
March 29, 2023

Management, Shareholders, and Board of Directors
Cornwell Quality Tools, Inc. and Subsidiary

In planning and performing our audit of the consolidated financial statements of Cornwell Quality Tools, Inc. and Subsidiary (the Company) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

* * * * *

This communication is intended solely for the information and use of management, shareholders, Board of Directors, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

Cohen & Company Ltd.

Cleveland, Ohio
March 29, 2023

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the inclusion in the Minnesota Franchise Disclosure Document with issuance date of April 3, 2023, of our report, dated March 29, 2023, on our audit of the consolidated financial statements of Cornwell Quality Tools Company and Subsidiary.

Cleveland, Ohio
April 3, 2023

Cohen & Company Ltd.



Cornwell Quality Tools Company and Subsidiary

Consolidated Financial Statements
December 31, 2023 and 2022

Cohen & Co

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CORNWELL QUALITY TOOLS COMPANY AND SUBSIDIARY

DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

Board of Directors of
Cornwell Quality Tools Company and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Cornwell Quality Tools Company and Subsidiary (an Ohio corporation), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornwell Quality Tools Company and Subsidiary as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Cornwell Quality Tools Company and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornwell Quality Tools Company and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cornwell Quality Tools Company and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornwell Quality Tools Company and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cohen & Company Ltd.

Cleveland, Ohio
March 26, 2024

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,687,571	\$ 19,594,784
Accounts receivable, trade - Net of allowance for credit losses of \$82,720 and \$98,107, respectively	8,753,533	10,017,373
Notes receivable, current portion - Net of allowance for credit losses of \$250,000 in 2023 and 2022, respectively	2,736,323	2,920,164
Finance receivables, current portion - Net of allowance for credit losses of \$10,449,079 and \$9,046,877, respectively	24,562,440	21,249,210
Inventories - Net	34,066,979	41,061,681
Prepaid expenses and other assets	1,890,179	1,949,173
Refundable income taxes	501,000	205,000
Total current assets	<u>106,198,025</u>	<u>96,997,385</u>
NONCURRENT ASSETS		
Notes receivable, net of current portion	11,503,165	11,429,113
Finance receivables, net of current portion	75,799,926	65,818,519
Property, plant, and equipment - Net	16,619,670	17,536,620
Operating lease right-of-use assets	6,631,893	6,308,869
Goodwill - Net	2,333,032	3,181,407
Deferred income tax asset - Net	4,735,000	4,010,000
Total noncurrent assets	<u>117,622,686</u>	<u>108,284,528</u>
TOTAL ASSETS	<u>\$ 223,820,711</u>	<u>\$ 205,281,913</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 17,398,366	\$ 14,661,121
Current portion of operating lease liabilities	786,053	562,857
Accrued expenses	3,043,811	3,462,293
Deferred compensation	134,056	125,226
Accrued taxes	247,387	233,605
Total current liabilities	<u>21,609,673</u>	<u>19,045,102</u>
LONG-TERM LIABILITIES		
Long-term portion of operating lease liabilities	5,890,693	5,755,118
Deferred compensation, less current portion	1,038,542	1,202,553
Total long-term liabilities	<u>6,929,235</u>	<u>6,957,671</u>
TOTAL LIABILITIES	<u>28,538,908</u>	<u>26,002,773</u>
CONTINGENCIES		
SHAREHOLDERS' EQUITY	<u>195,281,803</u>	<u>179,279,140</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 223,820,711</u>	<u>\$ 205,281,913</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
SALES	\$ 271,831,700	\$ 261,700,918
Less: Dealer weekly volume incentives	5,366,536	4,853,504
Sales - Net	<u>266,465,164</u>	<u>256,847,414</u>
 COST OF GOODS SOLD	 <u>197,335,492</u>	 <u>189,302,096</u>
Gross profit	<u>69,129,672</u>	<u>67,545,318</u>
 EXPENSES		
Shipping and warehousing	7,110,886	6,303,177
Selling	23,260,558	22,437,835
General and administrative	15,627,547	14,328,545
Employee stock ownership plan contribution	5,700,000	5,000,000
Goodwill amortization expense	848,375	848,375
Total expenses	<u>52,547,366</u>	<u>48,917,932</u>
 Income before financing operations	 <u>16,582,306</u>	 <u>18,627,386</u>
 FINANCING OPERATIONS		
Revenues	23,244,507	19,598,514
Other financing income	<u>1,331,492</u>	<u>1,069,676</u>
Total financing income	24,575,999	20,668,190
 Expenses	 <u>10,477,911</u>	 <u>7,213,203</u>
Income from financing operations	<u>14,098,088</u>	<u>13,454,987</u>
Income from operations	<u>30,680,394</u>	<u>32,082,373</u>
 OTHER INCOME (EXPENSE)		
Interest expense	(116,118)	(247,651)
Interest income	854,468	325,161
Other expense - Net	<u>(5,203,419)</u>	<u>(65,870)</u>
Other expense - Net	<u>(4,465,069)</u>	<u>11,640</u>
Income before taxes	26,215,325	32,094,013
 PROVISION FOR INCOME TAXES	 <u>6,537,204</u>	 <u>8,204,498</u>
 NET INCOME	 <u>\$ 19,678,121</u>	 <u>\$ 23,889,515</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

	* Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount			
BALANCE - JANUARY 1, 2022	10,635	\$ 106,350	\$ 1,644,189	\$ 156,980,721	\$ 158,731,260
Net income	-	-	-	23,889,515	23,889,515
Dividends paid	-	-	-	(3,341,635)	(3,341,635)
BALANCE - DECEMBER 31, 2022	10,635	106,350	1,644,189	177,528,601	179,279,140
Net income	-	-	-	19,678,121	19,678,121
Dividends paid	-	-	-	(3,675,458)	(3,675,458)
BALANCE - DECEMBER 31, 2023	<u>10,635</u>	<u>\$ 106,350</u>	<u>\$ 1,644,189</u>	<u>\$ 193,531,264</u>	<u>\$ 195,281,803</u>

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,635 shares issued and outstanding at December 31, 2023 and 2022.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			RECONCILIATION OF NET INCOME TO NET CASH		
Cash received from customers	\$ 286,736,240	\$ 274,163,137	FROM OPERATING ACTIVITIES:		
Cash paid to suppliers and employees	(239,321,652)	(246,024,091)	Net income	\$ 19,678,121	\$ 23,889,515
Cash paid to related party	(481,535)	(454,894)	ADJUSTMENTS TO RECONCILE NET INCOME TO NET		
Interest received - Net	740,398	79,558	CASH FROM OPERATING ACTIVITIES:		
Income taxes paid	(7,522,457)	(8,052,391)	Provision for finance credit losses	8,137,445	5,148,624
Net cash from operating activities	<u>40,150,994</u>	<u>19,711,319</u>	Provision for expected credit losses on uncollectible accounts and notes receivables	475,133	369,435
CASH FLOWS USED IN INVESTING ACTIVITIES			Change in LIFO reserve	2,002,062	2,537,306
Finance receivables originated	(62,804,034)	(53,470,840)	Change in inventory obsolescence reserve	220,796	112,256
Finance receivables repaid	41,371,952	39,955,427	Depreciation	1,867,617	1,621,038
Capital expenditures	(950,667)	(4,920,361)	Goodwill amortization	848,375	848,376
Net cash used in investing activities	<u>(22,382,749)</u>	<u>(18,435,774)</u>	Operating lease expense	784,638	577,476
CASH FLOWS USED IN FINANCING ACTIVITIES			Change in deferred income tax asset	(725,000)	54,000
Repayments of capital lease obligation	-	(1,476)	(Increase) decrease in operating assets:		
Repayments of long-term debt	-	(2,968,667)	Accounts receivable, trade	788,707	(1,265,102)
Cash dividends paid	(3,675,458)	(3,341,635)	Notes receivable	109,789	(2,021,495)
Net cash used in financing activities	<u>(3,675,458)</u>	<u>(6,311,778)</u>	Inventories	4,771,844	(10,553,068)
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,092,787	(5,036,233)	Prepaid expenses and other assets	58,994	(604,467)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,594,784	24,631,017	Refundable income taxes	(296,000)	89,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,687,571	\$ 19,594,784	Increase (decrease) in operating liabilities:		
			Accounts payable	2,737,245	(1,071,791)
			Accrued expenses	(418,482)	557,545
			Deferred compensation	(155,181)	(44,337)
			Accrued taxes	13,782	35,378
			Operating lease liabilities	(748,891)	(568,370)
			Total adjustments	<u>20,472,873</u>	<u>(4,178,196)</u>
			NET CASH FROM OPERATING ACTIVITIES	\$ 40,150,994	\$ 19,711,319
			SUPPLEMENTAL FINANCIAL INFORMATION		
			Cash paid for amounts included in the measurement of lease liabilities		
			Operating cash flows for operating leases	\$ 671,338	\$ 671,338
			NONCASH INVESTING AND FINANCING ACTIVITY		
			Right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,107,662	\$ 6,886,345

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Cornwell Quality Tools Company and Subsidiary (the Company) is a manufacturer and distributor of hand-held tools, toolboxes, diagnostic equipment, 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 of America and parts of Europe. During 2023 and 2022, purchased parts accounted for approximately 94% and 93%, respectively, of sales. The Company maintains manufacturing facilities in Ohio and Pennsylvania and distribution centers in Ohio and Utah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements of Cornwell Quality Tools Company and Subsidiary include the accounts of Cornwell Quality Tools Company and its wholly owned subsidiary, CQT Kennedy, LLC, collectively referred to as the Company. All significant intercompany transactions have been eliminated in consolidation.

Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were used and such differences may be material.

Variable Interest Entity

The Company is the primary beneficiary of an affiliated leasing entity that was formed for the purpose of holding real estate which is leased to the Company. The affiliated leasing entity generates substantially all of its revenue from the Company. The Company accounts for the variable interest entity (VIE) under the alternative accounting guidance issued by the Financial Accounting Standards Board (FASB). This alternative accounting treatment permits privately held companies meeting certain criteria from having to apply existing VIE consolidation guidance to common control leasing arrangements while maintaining compliance with GAAP. This alternative accounting guidance still requires certain disclosures pertaining to its relationship with the VIE entity, which have been disclosed in Note 9.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash held in banks, and all highly liquid investments purchased with original maturities of three months or less. The Company's cash balances at banks may, at times, exceed the limits of related federal deposit insurance. The Company has not experienced any losses, material or otherwise, due to this concentration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard - Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification [ASC] 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to guidance in FASB ASC 326 were trade accounts receivable, notes receivable, and finance receivables.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Accounts Receivable, Notes Receivable, Tech Credit Finance Receivables, and Allowance for Credit Losses

The Company operates in the tool manufacturing and distribution sector primarily for the automotive industry. Its accounts receivable - trade and notes receivable are primarily derived from dealers and are largely similar, therefore the Company evaluates its allowance for credit losses as one portfolio segment based upon the type of receivable.

Accounts receivable are unsecured customer obligations due under normal trade terms. The Company mitigates the risk associated with accounts receivable by performing ongoing credit evaluations and actively pursuing past due amounts. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices dated over the payment terms are considered delinquent. The Company does not charge interest on delinquent customer balances. The opening balance of accounts receivable - net as of January 1, 2022, was \$9,121,706.

Notes receivables are derived during the ordinary course of business from the Company entering into dealer franchise agreements with new franchisees. These agreements require new dealers to place orders for initial inventories of \$55,000 and a \$20,000 reserve deposit. Dealers may pay for their initial inventory and reserve with cash, by entering into a note with the Company, or a combination of both. These loan terms are typically six years in duration requiring payments weekly ranging between \$218 and \$417, including interest at a range of 10% to 17%. Interest is charged and recognized on the loans on an accrual basis. At December 31, 2023 and 2022, the portion of the notes receivable on nonaccrual status and recorded as an allowance for notes receivable loss was \$250,000, which is presented as a reduction of the notes' amortized cost basis. The opening balance of notes receivable - net as of January 1, 2022, was \$12,327,782.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable, Notes Receivable, Tech Credit Finance Receivables, and Allowance for Credit Losses (continued)

On December 31, 2023, contractual maturities of gross notes receivables were as follows:

2024	\$	2,986,323
2025		4,298,678
2026		3,371,650
2027		2,037,768
2028		1,178,162
Thereafter		616,908
	\$	<u>14,489,489</u>

At each balance sheet date, the Company evaluates if an expected allowance for credit losses is necessary. In addition, also at each reporting date, this evaluation is updated to reflect any changes in credit risk since the trade account receivable or note receivable was initially recorded. This evaluation is determined on a pooled basis where similar risk characteristics exist.

The allowance evaluation is derived from a review of the Company's historical losses based on the aging of accounts receivable and notes receivable. This evaluation is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to evaluate the expected allowance for credit losses as the Company's portfolio segment have remained consistent since the Company's inception.

The Company writes off accounts receivable and notes receivable against the respective allowances when there is information that indicates the customer is facing significant financial difficulty and there is no possibility of recovery. If recoveries are made from any amounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election. See Note 3 for current year write-offs.

Tech Credit finance receivables are derived from the Company offering financing options to individual customers of dealers in order to facilitate purchases. The customers receiving this type of financing are largely similar, therefore the Company evaluates its allowance for credit losses as one portfolio segment. The amounts that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their amortized costs, net of any deferred financing fees or costs on originated loans. Deferred financing fees are amortized on a straight-line basis over a 36-month period which approximates the life of the Tech Credit finance receivables. The opening balance of Tech Credit finance receivables – net as of January 1, 2022, was \$78,700,940.

Tech Credit finance receivables are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the notes are impaired, or collection of interest is doubtful. When the accrual of interest is discontinued, all unpaid accrued interest is reversed. Loans are returned to accrual status and interest income is subsequently recognized when all principal and interest amounts contractually due are brought current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable, Notes Receivable, Tech Credit Finance Receivables, and Allowance for Credit Losses (continued)

The allowance for Tech Credit finance receivable losses is derived from both internal and external sources, management's periodic evaluation of the portfolio using relevant available information from both internal and external sources, relating to past events, current conditions and reasonable supportable forecasts, 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 120 days contractually past due. The allowance for credit losses represents management's estimate of lifetime credit losses inherent in the finance receivables as of the consolidated balance sheet date. Tech Credit finance receivables that do not share risk characteristics are evaluated on an individual basis.

The Company writes off Tech Credit finance receivables when there is information that indicates the customer is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any amounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election. See Note 4 for current year write-offs.

Prior to the adoption of ASC 326, the carrying amounts of accounts receivable, notes receivable, and Tech Credit finance receivables were reduced by a valuation allowance that reflected management's best estimate of the amounts that would not be collected. Management individually reviewed all accounts receivable balances regularly and based on an assessment of current creditworthiness, estimated the portion, if any, of the balance that would not be collected. Additionally, management estimated an allowance for the aggregate remaining accounts receivable, notes receivable, and Tech Credit finance receivables based on historical collectability. Balances that were still outstanding after management had used reasonable efforts to collect were written off through a charge to the valuation allowance.

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 increased by \$10,470,934 and \$8,468,872 at December 31, 2023 and 2022, respectively, and net income after taxes would have increased by \$1,461,062 in 2023 and by \$1,852,306 in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

The Company recognized \$8,483,752 of goodwill related to Cornwell Quality Tools Company's acquisition of CQT Kennedy, LLC. The Company accounts for goodwill in accordance with alternative accounting guidance issued by the FASB. This alternative accounting treatment permits privately held companies to amortize goodwill on a straight-line basis over a period not to exceed 10 years while maintaining compliance with GAAP. Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value. Management has determined that there is no impairment of goodwill for the years ended December 31, 2023 and 2022. Amortization expense totaled \$848,375 in 2023 and 2022, respectively, and accumulated amortization totaled \$6,150,720 at December 31, 2023 and \$5,302,345 at December 31, 2022. Goodwill will amortize at the annual amount of \$848,376 in 2024 and 2025, with the remaining amount of \$636,280 being amortized in 2026.

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 \$1,867,617 in 2023, and \$1,621,038 in 2022.

Advertising

Advertising primarily consists of the Company's catalog, bulletins, flyers, sponsorships, and advertising in national publications for the Company's products, which are amortized over one year or less. Advertising expense was \$4,410,428 in 2023 and \$2,911,439 in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company is taxed as a C-Corporation and, accordingly, a provision for federal and state taxes has been recorded in the consolidated financial statements.

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when management determines a portion or all of the deferred tax assets will more likely than not be recognized.

Revenue Recognition

The Company generates revenue from various financing programs that include: (i) installment sales contracts arising from tool dealers wishing to provide financing to their customers on an extended-term payment plan and (ii) business loans to tool dealers for inventory. Interest income from finance receivables is recognized using the interest method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 120 days or more. The accrual is resumed when the loan becomes contractually current, and past due interest income is recognized at that time.

The decision to finance through the Company or another financing source is solely at the election of the customer. When assessing customers for potential financing, the Company considers various factors regarding ability to pay, including the customers' financial condition, debt-servicing ability, past payment experience, and credit bureau and proprietary credit model information, as well as the value of the underlying collateral. See Note 5 for information on credit quality indicators and monitoring.

The Company enters into contracts with customers related to the selling of products. At contract inception, an assessment of the products promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a product (or bundle of products). To identify the performance obligations, the Company considers all of the products promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Contracts with customers are comprised of customer purchase orders, invoices, and written contracts.

Revenue from the sale of products is recognized at a point in time when the Company's performance obligations are satisfied, which generally occurs at a point in time when title and control of the product is transferred to the customer at shipping point. Once a product has shipped, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from the asset. Customer payments are typically due within 30 days of billing or over the terms set out in the financing program, depending on the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

In some cases, the nature of the Company's contracts give rise to variable consideration, including weekly dealer volume discounts, rebates, credits, allowances for returns, or other similar items that generally decrease the transaction price. These variable amounts generally are credited to the customer, based on achieving certain levels of sales activity or product returns.

In the normal course of business, the Company allows dealers to return products per the provisions in the franchise agreement that allow for the return of product in a saleable condition. For other customers, product returns are generally not accepted unless the item is defective as manufactured. Estimated product returns are recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and is adjusted for known trends to arrive at the amount of consideration to which the Company expects to receive.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current, and forecasted) that is reasonably available.

Disaggregation of Revenue

All sales revenue results from product sales and is recognized at a point in time. Products are sold primarily to independent tool dealers and other industrial users throughout the United States of America and parts of Europe. Qualitative factors that affect revenue recognition and cash flows include, uninterrupted supply chain for components used to manufacture products, purchased products, availability of labor, and prompt payment by customers.

Performance Obligation

The Company's contracts for the sale of products contain a single performance obligation. The performance obligation is satisfied when the product is shipped to the customer.

Significant Judgments and Estimates

Other than variable consideration previously noted, there are no significant judgments involved in the recognition of revenue from the sale of products.

Shipping and Handling Costs

The Company has elected to treat shipping and handling costs as contract fulfillment activities. Shipping and handling revenue is included in sales and the related costs are included in cost of goods sold in the accompanying consolidated statements of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expensed as incurred. The Company's policy is also considered an assurance warranty and, therefore, does not constitute variable consideration.

Concentrations of Credit Risk

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

Leases

The Company determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based primarily on the present value of lease payments over the lease term. In determining the discount rate used to measure the ROU assets and lease liabilities, the Company uses rates implicit in the lease, when available. If the rate implicit in the lease is not readily available, the Company has elected to use a risk-free rate for all classes of assets. The risk-free rate used is the U.S. Treasury Bill Rate in effect at the commencement of the lease for a similar term. The operating lease ROU assets also include any lease payments made at commencement and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

The Company elected to apply the short-term lease exemption. Under this exemption, ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less. The Company does not currently have any short-term lease arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Company has lease agreements with both lease and non-lease components, which are generally accounted for separately. In allocating consideration in the contract to the separate lease components and the non-lease components, the Company uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

The Company has certain leases which are triple net leases, whereby the lessee pays all utilities, insurance, real estate taxes and maintenance associated with the property. These costs are considered to be lessee costs recognized in the consolidated statement of operations in the period in which the related obligation is incurred.

Subsequent Events

Management of the Company has evaluated subsequent events through March 26, 2024, which was the date that these consolidated financial statements were available for issuance and determined there are no significant non-recognized subsequent events through that date.

3. CHANGES IN THE EXPECTED CREDIT LOSS VALUATION 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>2023</u>	<u>2022</u>
Balance - Beginning of year	\$ 348,000	\$ 333,000
Provision for bad debts	475,133	369,435
Write-offs	(558,673)	(413,994)
Recoveries	68,540	59,559
Balance - End of year	<u>\$ 333,000</u>	<u>\$ 348,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCE RECEIVABLES AND CHANGES IN THE EXPECTED CREDIT LOSS VALUATION

The Company engages in providing commercial financing services to tool dealers wishing to provide financing to their customers. The Company's finance receivables, which are comprised primarily of contracts with a maximum of 60 monthly installments, are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Finance receivables	\$ 119,572,140	\$ 103,852,157
Deductions:		
Reserve for finance credit losses	(10,449,079)	(9,046,877)
Deferred financing fees	<u>(8,760,695)</u>	<u>(7,737,551)</u>
	100,362,366	87,067,729
Less current maturities	<u>24,562,440</u>	<u>21,249,210</u>
Long-term finance receivables	<u>\$ 75,799,926</u>	<u>\$ 65,818,519</u>

On December 31, 2023, contractual maturities of finance receivables were as follows:

2024	\$ 39,797,619
2025	36,173,907
2026	28,598,561
2027	13,267,873
2028	<u>1,733,780</u>
	<u>\$ 119,572,140</u>

At December 31, 2023, current maturities of finance receivables as reported on the consolidated balance sheet consist of gross receivables of \$39,797,619 less the reserve for finance credit losses of \$10,449,079 less the current portion of deferred financing fees of \$4,786,100.

At December 31, 2022, current maturities of finance receivables as reported on the consolidated balance sheet consist of gross receivables of \$34,584,448 less the reserve for finance credit losses of \$9,046,877 less the current portion of deferred financing fees of \$4,288,361.

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 \$41,371,952 in 2023, and \$39,955,427 in 2022, and the ratios of these cash collections to average principal balances were approximately 42% in 2023 and 40% in 2022. Approximate changes in the allowance for credit losses for finance receivables were as follows:

	<u>2023</u>	<u>2022</u>
Balance - Beginning of year	\$ 9,047,000	\$ 8,212,000
Provision for credit losses	8,137,000	5,149,000
Loans charged off	(6,735,000)	(4,515,000)
Recoveries	-	201,000
Balance - End of year	<u>\$ 10,449,000</u>	<u>\$ 9,047,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CREDIT QUALITY OF FINANCE AND NOTES RECEIVABLES

The Company actively monitors the credit quality of finance and notes receivables by performing a creditworthiness 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, 2012, 2016, February 2018, and September 2021. 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. In the February 2018 revalidation, the introduction of FICO scores as an additional qualifier was added. 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>2023</u>	<u>2022</u>
Notes receivable:		
Beacon score > 650	\$ 14,489,488	\$ 14,599,277
Finance receivables:		
Blue Ribbon rating	\$ 211,148	\$ 231,539
Scorecard:		
415 - 419 - High risk	1,686,200	204,513
420 - 429	2,555,784	9,071,202
430 - 439	4,962,580	9,055,009
440 - 449	13,765,690	20,169,565
450 - 459	23,255,093	20,169,565
>= 460 - Low risk	<u>73,135,645</u>	<u>31,061,874</u>
Subtotal Scorecard	<u>119,360,992</u>	<u>103,620,618</u>
Total finance receivables	\$ <u>119,572,140</u>	\$ <u>103,852,157</u>

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

	<u>2023</u>	<u>2022</u>
Current (not past due) notes receivable	\$ 14,489,488	\$ 14,599,277
Finance receivables:		
Current (not past due)	\$ 110,206,459	\$ 97,915,338
30-59 days past due	3,202,010	2,170,262
60-89 days past due	3,968,584	2,270,020
Greater than 90 days past due	<u>2,195,087</u>	<u>1,496,537</u>
Total finance receivables	\$ <u>119,572,140</u>	\$ <u>103,852,157</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVENTORIES

Inventories – net consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Raw materials	\$ 5,749,223	\$ 5,882,360
Work in process	3,037,244	3,503,205
Finished goods	<u>36,364,498</u>	<u>40,537,244</u>
	45,150,965	49,922,809
Less: Obsolescence reserve	613,052	392,256
Less: LIFO reserve	<u>10,470,934</u>	<u>8,468,872</u>
Total inventories - net	<u>\$ 34,066,979</u>	<u>\$ 41,061,681</u>

7. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 815,005	\$ 815,005
Buildings and improvements	11,544,031	11,522,447
Machinery and equipment	15,344,719	14,900,272
Office furniture and fixtures	5,922,047	5,564,520
Transportation equipment	182,305	182,305
Construction in progress	<u>62,100</u>	<u>75,023</u>
	33,870,207	33,059,572
Less: Accumulated depreciation	<u>17,250,537</u>	<u>15,522,952</u>
Property, plant and equipment - net	<u>\$ 16,619,670</u>	<u>\$ 17,536,620</u>

Leasehold improvements are amortized over 4 - 35 years, which is the shorter of the useful life of the leasehold improvement or the lease term including renewal periods that are reasonably assured. The Company leases its office from a related party under a 10 year operating lease, ending November 2025. If the lease is not extended to equal the life of the leasehold improvements, the landlord has represented to the Company that it will be reimbursed for the remaining unamortized cost of the leasehold improvements.

8. FINANCING

The Company has a line of credit agreement with a bank. Under the terms of the agreement, the Company can borrow up to \$8,000,000, collateralized by substantially all owned assets of the Company. The agreement, which expires July 31, 2024, requires monthly interest payments at the daily Secured Overnight Financing Rate (SOFR) 5.38% at December 31, 2023 plus 1.35%. There were no outstanding borrowings on the line of credit as of December 31, 2023 or 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. FINANCING (Continued)

The line of credit agreement contains various covenants, the most restrictive of which required the Company to maintain a minimum level of fixed charge coverage. The Company was in compliance with those covenants at December 31, 2023 and 2022.

9. LEASES

The Company had operating leases for equipment and facilities from unrelated parties with terms varying through December 2027. Lease expense under these leases totaled \$438,536 in 2023. The following is a schedule of future minimum lease payments with remaining terms of one year or more:

2024	\$ 469,248
2025	488,018
2026	507,359
2027	<u>528,020</u>
Total undiscounted cash flows	1,992,645
Less: present value discount	<u>125,997</u>
Total lease liabilities	<u>\$ 1,866,648</u>

The Company leases its warehouse and office facilities in Wadsworth, Ohio from a related party, with terms to expire in 2035. The leases include two five-year options to extend the leases for up to 10 years. The Company pays all insurance and operating costs associated with the real estate. Lease expense under these facilities totaled \$455,788 in 2023. The following is a schedule of future minimum lease payments for these leases:

2024	\$ 445,788
2025	445,788
2026	445,788
2027	445,788
2028	445,788
Thereafter	<u>3,057,069</u>
Total undiscounted cash flows	5,286,009
Less: present value discount	<u>475,911</u>
Total lease liabilities	<u>\$ 4,810,098</u>

For the year ended December 31, 2023, other information related to the Company's leases consisted of the following:

Weighted average remaining lease term:	9.66 years
Weighted average discount rate:	2.09%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAXES

The net income tax provision is comprised of approximately the following:

	<u>2023</u>	<u>2022</u>
Current tax provision, federal	\$ 5,827,000	\$ 6,286,000
Current tax provision, state	1,435,000	1,864,000
Deferred tax (benefit) expense, federal and state	<u>(725,000)</u>	<u>54,000</u>
	<u>\$ 6,537,000</u>	<u>\$ 8,204,000</u>

The difference between the effective tax rate for financial reporting of 27% in 2023 and 2022, and the federal and state statutory tax rates is due to applying actual state statutory tax rates and nondeductible items not included for financial reporting purposes.

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

	<u>2023</u>	<u>2022</u>
Accounts and finance receivable allowance	\$ 2,987,000	\$ 2,599,000
Inventories	500,000	490,000
Accumulated depreciation on property	(2,336,000)	(2,463,000)
Accumulated amortization on goodwill	554,000	477,000
Liabilities and reserves	1,957,000	2,548,000
Deferred compensation	<u>1,073,000</u>	<u>359,000</u>
Total deferred income tax asset - net	<u>\$ 4,735,000</u>	<u>\$ 4,010,000</u>

11. RETIREMENT PLANS

The Company maintains a profit-sharing plan (the 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 2023 and 2022. 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 2023 and 2022.

The Company also has a deferred compensation plan with officers that provides for the annual accrual of a portion of their salary until retirement. The agreements are contingent upon their continued employment with the Company and payable upon retirement. The deferred compensation agreements are unfunded. The plan also provides for payments to beneficiaries in the event of death.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EMPLOYEE STOCK OWNERSHIP PLAN

The Company has an employee stock ownership plan (ESOP) that 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, 2023 and 2022, the ESOP held 2,075 shares of stock, which have been fully allocated to participants. The shares have an estimated value of \$26,820 per share, or \$55,713,750 in the aggregate, based upon the December 31, 2022, valuation from the Appraiser. The fair value as of December 31, 2023, is subject to change upon the final valuation from the Appraiser.

ESOP contribution expense was \$5,700,000 in 2023 and \$5,000,000 in 2022.

13. LITIGATION

The Company is the defendant in a class action lawsuit, in the state of California, related to employment labor laws. During 2023, a settlement agreement was reached, and the Company agreed to pay \$5,500,000. The settlement agreement is still awaiting final approval from the California court system. The Company has accrued the settlement amount which is included in other income (expense) within the consolidated statement of operations at December 31, 2023. In addition, the Company is involved in other legal proceedings which arise in the ordinary course of business. Management, after consultation with the Company's legal counsel, believes that these matters will not have a material impact on the financial condition, results of operations, or cash flows of the Company.

14. CONTINGENCIES

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 two largest suppliers accounted for approximately 30% and 31% of purchases during 2023 and 2022, respectively. Any disruptions in the supply chain from these suppliers could be substituted with purchases of similar products from other suppliers.

Independent Auditor's Report on Supplemental Information

The Board of Directors of
Cornwell Quality Tools Company and Subsidiary

We have audited the consolidated financial statements of Cornwell Quality Tools Company and Subsidiary as of and for the years ended December 31, 2023 and 2022, and our report thereon dated March 26, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 2 - 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 23 - 26 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidated statements and accompanying note on pages 27 - 30 using the first-in, first-out (FIFO) method to value inventories are also presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Cohen & Company Ltd.

Cleveland, Ohio
March 26, 2024

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2023

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 32,798,231	\$ 889,340	\$ -	\$ 33,687,571
Accounts receivable, trade - Net of allowance for credit losses of \$82,720	7,983,926	769,607	-	8,753,533
Accounts receivable - Subsidiary	28,648,126	13,624,185	(42,272,311)	-
Notes receivable - Net of allowance for credit losses of \$250,000	2,736,323	-	-	2,736,323
Finance receivables - Net of allowance for credit losses of \$10,449,079	24,562,440	-	-	24,562,440
Inventories - Net	31,195,440	2,871,539	-	34,066,979
Prepaid expenses and other assets	1,870,032	20,147	-	1,890,179
Refundable income taxes	501,000	-	-	501,000
Total current assets	<u>130,295,518</u>	<u>18,174,818</u>	<u>(42,272,311)</u>	<u>106,198,025</u>
NONCURRENT ASSETS				
Notes receivable, net of current portion	11,503,165	-	-	11,503,165
Finance receivables, net of current portion	75,799,926	-	-	75,799,926
Note receivable - Subsidiary	11,435,791	-	(11,435,791)	-
Investment - Subsidiary	1,000,000	-	(1,000,000)	-
Property, plant, and equipment - Net	11,068,629	5,551,041	-	16,619,670
Operating lease right-of-use assets	6,631,893	-	-	6,631,893
Goodwill - Net	-	2,333,032	-	2,333,032
Deferred income tax asset - Net	4,735,000	-	-	4,735,000
Total noncurrent assets	<u>122,174,404</u>	<u>7,884,073</u>	<u>(12,435,791)</u>	<u>117,622,686</u>
TOTAL ASSETS	<u>\$ 252,469,922</u>	<u>\$ 26,058,891</u>	<u>\$ (54,708,102)</u>	<u>\$ 223,820,711</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 17,083,650	\$ 314,716	\$ -	\$ 17,398,366
Accounts payable - Parent	13,624,185	28,648,126	(42,272,311)	-
Current portion of operating lease liabilities	786,053	-	-	786,053
Accrued expenses	2,726,180	317,631	-	3,043,811
Deferred compensation	134,056	-	-	134,056
Accrued taxes	190,436	56,951	-	247,387
Total current liabilities	<u>34,544,560</u>	<u>29,337,424</u>	<u>(42,272,311)</u>	<u>21,609,673</u>
LONG-TERM LIABILITIES				
Long-term portion of operating lease liabilities	5,890,693	-	-	5,890,693
Note payable - Parent	-	11,435,791	(11,435,791)	-
Deferred compensation, less current portion	1,038,542	-	-	1,038,542
Total long-term liabilities	<u>6,929,235</u>	<u>11,435,791</u>	<u>(11,435,791)</u>	<u>6,929,235</u>
TOTAL LIABILITIES	<u>41,473,795</u>	<u>40,773,215</u>	<u>(53,708,102)</u>	<u>28,538,908</u>
CONTINGENCIES				
SHAREHOLDERS' EQUITY (DEFICIT)	<u>210,996,127</u>	<u>(14,714,324)</u>	<u>(1,000,000)</u>	<u>195,281,803</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 252,469,922</u>	<u>\$ 26,058,891</u>	<u>\$ (54,708,102)</u>	<u>\$ 223,820,711</u>

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2022

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 19,314,757	\$ 280,027	\$ -	\$ 19,594,784
Accounts receivable, trade - Net of allowance for credit losses of \$98,107	9,258,048	759,325	-	10,017,373
Accounts receivable - Subsidiary	26,726,542	12,115,657	(38,842,199)	-
Notes receivable - Net of allowance for credit losses of \$250,000	2,920,164	-	-	2,920,164
Finance receivables - Net of allowance for credit losses of \$9,046,877	21,249,210	-	-	21,249,210
Inventories - Net	37,523,059	3,538,622	-	41,061,681
Prepaid expenses and other assets	1,939,980	9,193	-	1,949,173
Refundable income taxes	205,000	-	-	205,000
Total current assets	<u>119,136,760</u>	<u>16,702,824</u>	<u>(38,842,199)</u>	<u>96,997,385</u>
NONCURRENT ASSETS				
Notes receivable, net of current portion	11,429,113	-	-	11,429,113
Finance receivables, net of current portion	65,818,519	-	-	65,818,519
Note receivable - Subsidiary	12,435,791	-	(12,435,791)	-
Investment - Subsidiary	1,000,000	-	(1,000,000)	-
Property, plant, and equipment - Net	11,284,780	6,251,840	-	17,536,620
Operating lease right-of-use assets	6,308,869	-	-	6,308,869
Goodwill - Net	-	3,181,407	-	3,181,407
Deferred income tax asset - Net	4,010,000	-	-	4,010,000
Total noncurrent assets	<u>112,287,072</u>	<u>9,433,247</u>	<u>(13,435,791)</u>	<u>108,284,528</u>
TOTAL ASSETS	<u>\$ 231,423,832</u>	<u>\$ 26,136,071</u>	<u>\$ (52,277,990)</u>	<u>\$ 205,281,913</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 14,233,425	\$ 427,696	\$ -	\$ 14,661,121
Accounts payable - Parent	12,115,657	26,726,542	(38,842,199)	-
Current portion of operating lease liabilities	562,857	-	-	562,857
Accrued expenses	3,034,056	428,237	-	3,462,293
Deferred compensation	125,226	-	-	125,226
Accrued taxes	174,736	58,869	-	233,605
Total current liabilities	<u>30,245,957</u>	<u>27,641,344</u>	<u>(38,842,199)</u>	<u>19,045,102</u>
LONG-TERM LIABILITIES				
Long-term portion of operating lease liabilities	5,755,118	-	-	5,755,118
Note payable - Parent	-	12,435,791	(12,435,791)	-
Deferred compensation, less current portion	1,202,553	-	-	1,202,553
Total long-term liabilities	<u>6,957,671</u>	<u>12,435,791</u>	<u>(12,435,791)</u>	<u>6,957,671</u>
TOTAL LIABILITIES	<u>37,203,628</u>	<u>40,077,135</u>	<u>(51,277,990)</u>	<u>26,002,773</u>
CONTINGENCIES				
SHAREHOLDERS' EQUITY (DEFICIT)	<u>194,220,204</u>	<u>(13,941,064)</u>	<u>(1,000,000)</u>	<u>179,279,140</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 231,423,832</u>	<u>\$ 26,136,071</u>	<u>\$ (52,277,990)</u>	<u>\$ 205,281,913</u>

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
SALES	\$ 263,809,059	\$ 20,649,053	\$ (12,626,412)	\$ 271,831,700
Less: Dealer weekly volume incentives	5,366,536	-	-	5,366,536
Sales - Net	258,442,523	20,649,053	(12,626,412)	266,465,164
COST OF GOODS SOLD	191,198,768	18,763,136	(12,626,412)	197,335,492
Gross profit	67,243,755	1,885,917	-	69,129,672
EXPENSES				
Shipping and warehousing	7,106,988	3,898	-	7,110,886
Selling	22,632,961	627,597	-	23,260,558
General and administrative	14,485,569	1,141,978	-	15,627,547
Employee stock ownership plan contribution	5,700,000	-	-	5,700,000
Goodwill amortization expense	-	848,375	-	848,375
Total expenses	49,925,518	2,621,848	-	52,547,366
Income (loss) before financing operations	17,318,237	(735,931)	-	16,582,306
FINANCING OPERATIONS				
Revenues	23,244,507	-	-	23,244,507
Other financing income	1,331,492	-	-	1,331,492
Total financing income	24,575,999	-	-	24,575,999
Expenses	10,477,911	-	-	10,477,911
Income from financing operations	14,098,088	-	-	14,098,088
Income (loss) from operations	31,416,325	(735,931)	-	30,680,394
OTHER INCOME (EXPENSE)				
Interest expense	(116,056)	(62)	-	(116,118)
Interest income	854,468	-	-	854,468
Other expense - Net	(5,203,419)	-	-	(5,203,419)
Other expense - Net	(4,465,007)	(62)	-	(4,465,069)
Income (loss) before taxes	26,951,318	(735,993)	-	26,215,325
PROVISION FOR INCOME TAXES	6,499,937	37,267	-	6,537,204
NET INCOME (LOSS)	\$ 20,451,381	\$ (773,260)	\$ -	\$ 19,678,121

CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

	Cornwell Quality Tools Company	CQT Kennedy, LLC	Eliminations	Consolidated
SALES	\$ 251,915,684	\$ 22,648,171	\$ (12,862,937)	\$ 261,700,918
Less: Dealer weekly volume incentives	4,853,504	-	-	4,853,504
Sales - Net	<u>247,062,180</u>	<u>22,648,171</u>	<u>(12,862,937)</u>	<u>256,847,414</u>
COST OF GOODS SOLD	<u>178,516,201</u>	<u>23,648,832</u>	<u>(12,862,937)</u>	<u>189,302,096</u>
Gross profit	<u>68,545,979</u>	<u>(1,000,661)</u>	<u>-</u>	<u>67,545,318</u>
EXPENSES				
Shipping and warehousing	6,300,877	2,300	-	6,303,177
Selling	21,791,074	646,761	-	22,437,835
General and administrative	13,068,550	1,259,995	-	14,328,545
Employee stock ownership plan contribution	5,000,000	-	-	5,000,000
Goodwill amortization expense	-	848,375	-	848,375
Total expenses	<u>46,160,501</u>	<u>2,757,431</u>	<u>-</u>	<u>48,917,932</u>
Income (loss) before financing operations	<u>22,385,478</u>	<u>(3,758,092)</u>	<u>-</u>	<u>18,627,386</u>
FINANCING OPERATIONS				
Revenues	19,598,514	-	-	19,598,514
Other financing income	<u>1,069,676</u>	<u>-</u>	<u>-</u>	<u>1,069,676</u>
Total financing income	20,668,190	-	-	20,668,190
Expenses	<u>7,213,203</u>	<u>-</u>	<u>-</u>	<u>7,213,203</u>
Income from financing operations	<u>13,454,987</u>	<u>-</u>	<u>-</u>	<u>13,454,987</u>
Income (loss) from operations	<u>35,840,465</u>	<u>(3,758,092)</u>	<u>-</u>	<u>32,082,373</u>
OTHER INCOME (EXPENSE)				
Interest expense	(239,390)	(8,261)	-	(247,651)
Interest income	325,161	-	-	325,161
Other expense - Net	<u>(65,670)</u>	<u>(200)</u>	<u>-</u>	<u>(65,870)</u>
Other income (expense) - Net	<u>20,101</u>	<u>(8,461)</u>	<u>-</u>	<u>11,640</u>
Income (loss) before taxes	35,860,566	(3,766,553)	-	32,094,013
PROVISION FOR INCOME TAXES	<u>8,172,529</u>	<u>31,969</u>	<u>-</u>	<u>8,204,498</u>
NET INCOME (LOSS)	<u>\$ 27,688,037</u>	<u>\$ (3,798,522)</u>	<u>\$ -</u>	<u>\$ 23,889,515</u>

CONSOLIDATED BALANCE SHEET - FIFO BASIS

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,687,571	\$ 19,594,784
Accounts receivable, trade - Net	8,753,533	10,017,373
Notes receivable - Net	2,736,323	2,920,164
Finance receivables - Net	24,562,440	21,249,210
Inventories - Net	44,537,913	49,530,553
Prepaid expenses and other assets	1,890,179	1,949,173
Refundable income taxes	501,000	205,000
Total current assets	<u>116,668,959</u>	<u>105,305,148</u>
NONCURRENT ASSETS		
Notes receivable, net of current portion	11,503,165	11,429,113
Finance receivables, net of current portion	75,799,926	65,818,519
Property, plant, and equipment - Net	16,619,670	17,536,620
Operating lease right-of-use assets	6,631,893	6,308,869
Goodwill - Net	2,333,032	3,181,407
Deferred income tax asset - Net	1,735,502	1,551,000
Total noncurrent assets	<u>114,623,188</u>	<u>105,986,637</u>
TOTAL ASSETS	<u>\$ 231,292,147</u>	<u>\$ 211,291,785</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 17,398,366	\$ 14,661,121
Current portion of operating lease liabilities	786,053	562,857
Accrued expenses	3,043,811	3,462,293
Deferred compensation	134,056	125,226
Accrued taxes	247,387	233,605
Total current liabilities	<u>21,609,673</u>	<u>19,045,102</u>
LONG-TERM LIABILITIES		
Long-term portion of operating lease liabilities	5,890,693	5,755,118
Deferred compensation, less current portion	1,038,542	1,202,553
Total long-term liabilities	<u>6,929,235</u>	<u>6,957,671</u>
TOTAL LIABILITIES	<u>28,538,908</u>	<u>26,002,773</u>
SHAREHOLDERS' EQUITY	<u>202,753,239</u>	<u>185,289,012</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 231,292,147</u>	<u>\$ 211,291,785</u>

CONSOLIDATED STATEMENT OF OPERATIONS - FIFO BASIS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
SALES	\$ 271,831,700	\$ 261,700,918
Less: Dealer weekly volume incentives	<u>5,366,536</u>	<u>4,853,504</u>
Sales - Net	266,465,164	256,847,414
 COST OF GOODS SOLD	 <u>195,333,430</u>	 <u>186,764,790</u>
Gross profit	71,131,734	70,082,624
 EXPENSES		
Shipping and warehousing	7,110,886	6,303,177
Selling	23,260,558	22,437,835
General and administrative	15,627,547	14,328,545
Employee stock ownership plan contribution	5,700,000	5,000,000
Goodwill amortization expense	<u>848,375</u>	<u>848,375</u>
Total expenses	<u>52,547,366</u>	<u>48,917,932</u>
 Income before financing operations	 <u>18,584,368</u>	 <u>21,164,692</u>
 FINANCING OPERATIONS		
Revenues	23,244,507	19,598,514
Other financing income	<u>1,331,492</u>	<u>1,069,676</u>
 Total financing income	 24,575,999	 20,668,190
 Expenses	 <u>10,477,911</u>	 <u>7,213,203</u>
Income from financing operations	<u>14,098,088</u>	<u>13,454,987</u>
Income from operations	<u>32,682,456</u>	<u>34,619,679</u>
 OTHER INCOME (EXPENSE)		
Interest expense	(116,118)	(247,651)
Interest income	854,468	325,161
Other expense - Net	<u>(5,203,419)</u>	<u>(65,870)</u>
 Other income (expense)	 <u>(4,465,069)</u>	 <u>11,640</u>
 Income before taxes	 28,217,387	 34,631,319
 PROVISION FOR INCOME TAXES	 <u>7,077,704</u>	 <u>8,889,498</u>
 NET INCOME	 <u>\$ 21,139,683</u>	 <u>\$ 25,741,821</u>

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY - FIFO BASIS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	* Voting Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount			
BALANCE - JANUARY 1, 2022	10,635	\$ 106,350	\$ 1,644,189	\$ 161,138,287	\$ 162,888,826
Net income	-	-	-	25,741,821	25,741,821
Dividends paid	-	-	-	(3,341,635)	(3,341,635)
BALANCE - DECEMBER 31, 2022	10,635	106,350	1,644,189	183,538,473	185,289,012
Net Income	-	-	-	21,139,683	21,139,683
Dividends paid	-	-	-	(3,675,456)	(3,675,456)
BALANCE - DECEMBER 31, 2023	<u>10,635</u>	<u>\$ 106,350</u>	<u>\$ 1,644,189</u>	<u>\$ 201,002,700</u>	<u>\$ 202,753,239</u>

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,635 shares issued and outstanding at December 31, 2023 and 2022.

NOTE TO THE SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS - FIFO BASIS

1. BASIS OF PRESENTATION

The accompanying supplemental consolidated balance sheets and statements of operations and changes in shareholders' equity as of December 31, 2023 and 2022, 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 consolidated financial statements, adjusted for the following:

Inventories

Inventories are valued at the lower of cost or net realizable value 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>2023</u>	<u>2022</u>
Raw materials	\$ 5,749,223	\$ 5,882,360
Work in process	3,037,244	3,503,205
Finished goods	<u>36,364,498</u>	<u>40,537,244</u>
	45,150,965	49,922,809
Less: Obsolescence reserve	<u>613,052</u>	<u>392,256</u>
	<u>\$ 44,537,913</u>	<u>\$ 49,530,553</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 increased the provision for income taxes by \$540,500 in 2023 and \$685,000 in 2022.

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

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the inclusion in the Minnesota Franchise Disclosure Document with issuance date of April 1, 2024, of our report, dated March 26, 2024, on our audit of the consolidated financial statements of Cornwell Quality Tools Company and Subsidiary.

Cohen & Company Ltd.

Cleveland, Ohio

April 1, 2024

EXHIBIT B

CORNWELL QUALITY TOOLS COMPANY

20232024



CORNWELL
QUALITY TOOLS



CORNWELL
QUALITY TOOLS

DFA042324

DEALER FRANCHISE AGREEMENT

EXHIBIT

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B

20232024



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 [Entity Name, if applicable] _____ and [First Individual Name] _____ of [Residence street address] _____, [City] _____, [State] _____ [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (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. Dealer agrees to use Dealer's best efforts to serve the Territory fully with the sale of Cornwell products. The First Individual named above agrees to use his or her best full-time efforts to operate the dealership.

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 \$55,000.00 (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 \$20,000.00, 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 on and after the first day of training on Dealer's route, 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. Approved trucks and vans must be equipped so that District Managers or others riding with Dealer can sit safely and are protected against injury from objects thrown forward from the rear compartment. Dealer agrees to buy and wear approved Cornwell route wear.

5. b. Dealer agrees to acquire a laptop computer, bar code scanner and credit card signature pad from Cornwell (together, "the Hardware") for use on Dealer's truck. Cornwell will sell the Hardware to Dealer at Cornwell's cost, now approximately \$3,500. Cornwell will give Dealer a \$1,500 credit on Dealer's open account to offset the Hardware purchase expense. Dealer will also be required to purchase or lease a compatible printer and wireless card.

5. c. Dealer agrees to obtain and maintain high speed Internet access via a standalone Network Access Device from a mobile wireless broadband carrier, to be able to communicate electronically with Cornwell.

5. d. Dealer agrees to acquire licensing from Cornwell for the "Ironman Business Network (IBN)" Software for Cornwell dealers, under a separate License Agreement with Cornwell. Dealer will be required to use the "My Business" function in IBN as directed in order for Dealer and Cornwell to monitor Dealer's business properly. Dealer's franchise may be terminated if Dealer does not supply this data or does not use IBN and hardware obtained from Cornwell, including, but not limited to the "My Business" function.

5. e. Dealer agrees that Cornwell will have independent access to the information that will be generated and stored on Dealer's "Ironman Business Network IBN" 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 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 90% 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 90% 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. ~~During the current pandemic, you will receive additional on-site training.~~

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, or at some other location. ~~This training will be provided by Zoom and at your location by District Manager or Trainer, rather than live during the current pandemic.~~ The First Individual named above, who will primarily operate the dealership, must complete the New Dealer Training Program before operating the dealership. The Second Individual named above is also invited to attend the New Dealer Training Program. The New Dealer Training Program will include but not be limited to classroom instruction on basic business procedures, computer setup, IBN setup, customer relations, product warranty/repair, Email, Cornwell Website and My Business. Dealer must pay the cost of travel, food, lodging and any other incidental costs for the New Dealer Training Program. If the Second Individual named above at any time will primarily operate the dealership, the Second Individual must complete the training set forth above.

9. The First Individual named above agrees to engage full time in the direct operation of the franchised dealership. If the Second Individual named above at any time will primarily operate the dealership, the Second Individual must then adhere to the full-time direct operation obligation set forth above. Dealer agrees to operate only one truck, directly or indirectly, unless Cornwell expressly waives this requirement.

10. Dealer shall display 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 Dealer learns about an infringement of or challenge to its use of any of Cornwell's Marks. Cornwell will take the action it considers appropriate, with which Dealer agrees to cooperate. While Cornwell is not required to defend Dealer against a claim against its use of the Marks, Cornwell will reimburse Dealer for Dealer's liability and reasonable costs in connection with defending Cornwell's Marks. 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 Mark 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 Marks, 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 a 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. If Dealer's customer is the original end-user purchaser of a product manufactured by Cornwell ("Cornwell Hard Line") or of a new Kennedy steel roller cabinet, locker, cart, steel tool chest, or steel canopy for use with a Kennedy cabinet or tool chest ("Kennedy Tool Storage"), then Dealer's customer is entitled to a limited lifetime warranty that the product will be free of defects in material or workmanship under normal use and will conform to the description given them by Cornwell or Kennedy.

This limited lifetime warranty extends only to the repair or replacement of items found by Cornwell or Kennedy upon examination to be defective in material or workmanship and is subject to availability of replacement parts. This limited lifetime warranty covers only parts and materials, not labor, and cannot be assigned by the original end-user purchaser of that product.

This limited lifetime warranty does not cover products that are damaged through any intentional or negligent actions, including but not limited to misuse, mishandling, or modification or to products that reach the ends of their useful lives as a result of normal wear and tear. Misuse and mishandling of Kennedy Tool Storage products include but are not limited to overloading, especially while moving or transporting the item, and to scratching of painted and unpainted tops.

Cornwell and Kennedy are not responsible for any special, punitive, incidental or consequential damages which may arise out of the purchase or use of any Cornwell or Kennedy product. Cornwell's and Kennedy's liability for any breach of warranty shall be limited to the cost of the repair or replacement of the defective items as described above.

THIS WARRANTY IS DEALER'S CUSTOMER'S EXCLUSIVE CORNWELL HARD LINE/KENNEDY TOOL STORAGE WARRANTY AND REPLACES TO THE FULLEST EXTENT PERMITTED BY LAW ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Cornwell extends the full manufacturer's warranty to Dealer's customers, as the original end-user purchaser of products manufactured by others. No special, punitive, incidental or consequential damages of any kind are recoverable from Cornwell by any person from the use of these products. Further, there is no other warranty extended by Cornwell with respect to these products, including but not limited to warranties of merchantability and fitness for a particular purpose. In order to replace a defective item, it must be returned to Cornwell Quality Tools Company, 454 Corporate Parkway, Wadsworth, Ohio 44281.

THIS WARRANTY IS DEALER'S CUSTOMER'S EXCLUSIVE WARRANTY FROM CORNWELL AS TO PRODUCTS MANUFACTURED BY OTHERS AND REPLACES TO THE FULLEST EXTENT PERMITTED BY LAW ALL OTHER WARRANTIES BY CORNWELL, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Dealer agrees to extend all of the warranties described in this Paragraph 12 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) 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 Marks and to refrain from their misuse or (d) to supply weekly data required in Paragraph 5.e or (e) to maintain full collateralization of any promissory note and security agreement or (f) to use best full-time efforts to serve the Territory fully; (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, upon such terms as Cornwell determines. Without limiting the foregoing, Cornwell may require Dealer to agree to a modification of the Territory as a condition of waiving Dealer's failure to use best full-time efforts to serve the Territory fully. 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. New tools will be approved for return only if they are in new and saleable condition, are active items, and have not been discontinued by Cornwell. All returns must be of current design and finish. All tools returned must be in their original individual 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 under this program: Tool storage, socket trays, clips and rails, vinyl kit bags, air compressors, lifting equipment, large shop equipment, parts washers, sales administration or truck display aids, welders, battery chargers, and serial numbered test equipment.

Upon termination of the dealership for any reason, all of Dealer's rights pertaining to the trademarks will automatically revert to Cornwell. Upon termination, Dealer must immediately discontinue use of the trademarks and – at Dealer's own sole expense – Dealer must immediately remove all of the trademarks appearing on decals, signs or otherwise, and any terms confusingly similar to them, from Dealer's truck, clothing, business cards, documents and other property. Dealer must also discontinue any use of the trademarks or any reference to them in Dealer's advertising.

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 or other mandatory 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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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), if such an entity is not already a party to this Agreement. Dealer shall not do business as an entity without Cornwell's express written consent, which shall not be unreasonably withheld. All individual parties to this Agreement agree to execute any personal guarantees and other documentation that Cornwell may require as a condition of its consent for Dealer to do business as an entity.

23. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN RECOGNITION OF WHICH and intending to be legally bound, Cornwell and the person or persons identified as Dealer above have signed duplicate copies of this Agreement on the dates stated below at Wadsworth, Ohio and _____,

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER 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 B-1

ADDENDUM TO DEALER FRANCHISE AGREEMENT
(SECOND FRANCHISE)

This addendum to Dealer Franchise Agreement ("Addendum") is made this ____ day of _____, 20__, by and between THE CORNWELL QUALITY TOOLS COMPANY of Wadsworth, Ohio ("Cornwell") and [Entity Name, if applicable] _____ and [First Individual Name] _____ of [Residence street address] _____, [City] _____, [State] _____, [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (individually and/or collectively referred to as "Dealer").

RECITALS

- A. Cornwell and Dealer entered into a Dealer Franchise Agreement on _____ ("the Existing Agreement"), which established a Cornwell franchise ("the Existing Franchise").
- B. At Dealer's request, Cornwell will grant Dealer a second franchise ("the Second Franchise"), in whole or in part located within the geographic territory of the Existing Franchise.

In consideration of the mutual promises set forth in this Addendum, Dealer and Cornwell agree to amend the Existing Agreement as follows:

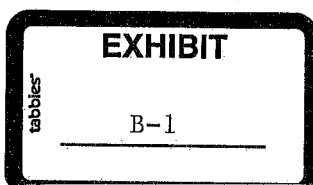
1. Cornwell and Dealer will enter into two new agreements, one to replace the Existing Agreement and one for the Second Franchise ("the New Agreements"). The forms of the New Agreements are attached.

2. Dealer agrees to the following, which shall be considered to be incorporated into the New Agreements:

a. Dealer's Cornwell purchase average must have been at least 150% of the national purchase average during all of at least the 12 months before seeking approval of a Second Franchise.

b. Dealer must be and remain "full equity," which means that Dealer has no outstanding loan from Cornwell or any other lender who takes a security interest in the assets of the Franchise. Approval will be denied or withdrawn if any other lender takes a security interest in the assets of the Franchise.

c. The Second Franchise must be "full equity," which means that investment for the Second Franchise cannot be made with funds borrowed from Cornwell or any other lender who takes a security interest in the assets of the Franchise. Approval will be denied or withdrawn if any other lender takes a security interest in the assets of the Second Franchise.



d. Both Dealer's existing territory and the proposed Second Franchise territory must be surveyed by Cornwell in accordance with Cornwell policies in effect at the time. If there is area in the existing franchisee's territory that is not being served, Cornwell may require that area to be released and included in the Second Franchise territory or released to be included in a future dealer's territory.

e. Dealer must be in good standing with, but not limited to, wholesale credit and tech credit and the original franchise and the Second Franchise must remain that way.

f. If any person who will operate the Second Franchise is not already a dealer (an existing first dealer or second dealer), that person must be approved by Cornwell and must complete New Dealer Training (as must a second dealer who will operate the Second Franchise and did not previously complete New Dealer Training). ~~This training will be provided by Zoom and at your location by District Manager or Trainer rather than live in Ohio during the current pandemic.~~

g. All of the requirements for a new franchise must be met, including but not limited to the purchase of an Initial Inventory Amount, ~~(a new dealership must purchase an initial inventory of Cornwell products of at least \$55,000 at regular dealer net prices. If the dealership is converting an existing tool business ("Convertee") and already has an approved suitable inventory, the dealer must purchase an initial inventory of at least \$40,000 from Cornwell at regular dealer net prices);~~ Time Payment Reserve, ~~and Working Capital and truck approval. (Unless waived by Cornwell, the dealer must also establish a Reserve with Cornwell in the amount of \$20,000, to be applied against the further purchase of inventory during the first 13 weeks of the Dealership. Unless waived, the dealer must also verify at the outset of the Dealership that there is \$10,000 on deposit in a business account that will only be used for business purposes on and after the first day of training on your route.)~~ and Truck Approval.

h. Both the existing Franchise and the Second Franchise must use IBN.

i. The territory of the Second Franchise must be fully served without interruption of more than 60 consecutive days, or the Second Franchise will be deemed abandoned and terminated.

j. Both the existing Franchise and the Second Franchise must always meet all Cornwell requirements.

k. The existing Franchise must maintain at least 100% of the national purchase average. The Second Franchise must maintain at least 100% of the national purchase average commencing six months after the Second Franchise begins operation.

l. If the existing Franchise is terminated, the Second Franchise will be terminated as well.

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

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER 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 B-2

20232024



202324 FRANCHISE DEVELOPER DEALER FRANCHISE AGREEMENT

THIS FRANCHISE DEVELOPER DEALER FRANCHISE AGREEMENT ("Agreement") made this ____ day of _____, 20__, by and between THE CORNWELL QUALITY TOOLS COMPANY of Wadsworth, Ohio ("Cornwell") and [Entity Name, if applicable] _____ and [First Individual Name] _____ of [Residence street address] _____, [City] _____, [State] _____ [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (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.

C. Cornwell further desires to grant the Dealer status as a Franchise Developer, under which status the Dealer can receive free inventory in return for maintaining higher purchase levels for an extended time and/or recruiting additional dealers to Cornwell and the Dealer desires such status.

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. Dealer agrees to use Dealer's best efforts to serve the Territory fully with the sale of Cornwell products. The First Individual named above agrees to use his or her best full-time efforts to operate the dealership.

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 **\$55,000** (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. (i) The Dealer agrees to pay for the Starter Inventory by giving Cornwell a promissory note and security agreement ("the Note") in the amount of \$55,000, payable in full without interest in 36 months by weekly payments. If certain purchase or recruiting requirements are met as set forth in this Agreement and the Note, annual granting of credits of \$15,000 the first year and \$20,000 the second and third years will be applied to the Dealer's open account.

(ii) Unless waived by Cornwell, the Dealer further agrees to deposit \$20,000, 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 the Note for the balance.

(iii) 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, 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.

(iv) 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 on and after the first day of training on Dealer's route, which may include a reasonable draw for personal living expenses, as agreed upon by Cornwell in advance, while this Agreement is in force.

4a. Franchise Developer Requirements and Benefits.

To remain a Franchise Developer and to enjoy the benefits set forth below, in addition to the interest-free Note described above, the Dealer must meet the requirements below. To the extent the requirements of this paragraph 4a conflict with other provisions of this agreement, the requirements of this paragraph shall prevail.

A. Dealer must (1) Remain a Cornwell Dealer with average purchases of not less than ~~\$7,1507,400~~ per week for at least 36 months from the date that Dealer first makes sales ("Start Date") or (2) Introduce at least 3 new dealers to Cornwell within 36 months of the Start Date. Dealer's status as a Franchise Developer will be reviewed every 52 weeks. If Dealer both fails to satisfy the average purchase requirement and has not introduced a new dealer during the preceding 52 weeks, Dealer's status as a Franchise Developer may be terminated by Cornwell.

B. "Introduction" of new dealers for the purpose of Franchise Developer status means that such new dealers enter into Dealer Franchise Agreements, purchase Starter Inventories and remain Cornwell Dealers for a minimum of 6 months each.

C. Dealer shall qualify for all Cornwell programs, except recruitment incentives for the Dealer himself or for three new dealers.

D. Dealer will qualify immediately for all Tech-Credit programs and for volume discounts for purchases as of the first week of business, not including the Starter Inventory.

E. Dealer must use the IBN program, including My Business and must submit standard weekly reports to the District Sales Manager and to Cornwell's Wadsworth office.

F. Dealer must maintain an inventory of at least **\$55,000** net value and must use the perpetual inventory function on IBN. Dealer's inventory level will be inspected at least quarterly by the District Sales Manager and the Dealer will perform a physical inventory at least once a year, or more frequently as Cornwell may reasonably request.

G. Dealer must pay Dealer's trade account with Cornwell in accordance with Cornwell's policies and procedures, must make the required weekly payments on the Note and must otherwise comply with the terms of this Agreement, the Note, all other agreements between Cornwell and Dealer and Cornwell's other policies and procedures.

H. Following the first 52-week period after payments have commenced on the Note, if Dealer has complied with the requirements of this Agreement and the Note during that period, Cornwell will then issue an open account credit to Dealer of \$15,000. Following each of the next two 52-week periods after payments have commenced, if Dealer has complied with the requirements of this Agreement and the Note during that period, Cornwell will then issue an open account credit to Dealer of \$20,000.

I. If during the first 104 weeks after the Start Date Dealer has maintained a purchase average of at least **\$7,8008,000** per week (not including the Starter Inventory), Cornwell will then issue a further open account credit to Dealer of \$10,000 to be used only for the purchase of additional inventory.

J. If during the first 156 weeks after the Start Date Dealer has maintained a purchase average of at least **\$7,8008,000** per week (not including the Starter Inventory or additional inventory purchased with the credit described in subparagraph H above), Cornwell will then issue a further open account credit to Dealer of \$15,000 to be used only for the purchase of additional inventory.

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. Approved trucks and vans must be equipped so that District Managers or others riding with Dealer can sit safely and are protected against injury from objects thrown forward from the rear compartment. Dealer agrees to buy and wear approved Cornwell route wear.

5. b. Dealer agrees to acquire a laptop computer, bar code scanner and credit card signature pad from Cornwell (together, "the Hardware") for use on Dealer's truck. Cornwell will sell the Hardware to Dealer at Cornwell's cost, now approximately \$3,500. Cornwell will give Dealer a \$1,500 credit on Dealer's open account to offset the Hardware purchase expense. Dealer will also be required to purchase or lease a compatible printer and wireless card.

5. c. Dealer agrees to obtain and maintain high speed Internet access via a standalone Network Access Device from a mobile wireless broadband carrier, to be able to communicate electronically with Cornwell.

5. d. Dealer agrees to acquire licensing from Cornwell for the "Ironman Business Network (IBN)" Software for Cornwell dealers, under a separate License Agreement with Cornwell. Dealer will be required to use the "My Business" function in IBN as directed in order for Dealer and Cornwell to monitor Dealer's business properly. Dealer's franchise may be terminated if Dealer does not supply required data or if Dealer does not use IBN and hardware obtained from Cornwell, including, but not limited to the "My Business" function, and does not do so.

5. e. Dealer agrees that Cornwell will have independent access to the information that will be generated and stored on Dealer's "Ironman Business Network IBN" 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 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 coverage: 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 after the fulfillment of the requirements of paragraphs 4a, (A) and (B), the Dealer agrees to maintain average weekly purchases from Cornwell equal to at least 90% 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 90% 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. ~~During the current pandemic, you will receive additional on-site training.~~ The Dealer must participate in the initial training offered by the District Manager. Such training will not be waived, regardless of Dealer's previous level of experience, so that Dealer will be fully acquainted with Cornwell's practices and procedures in recruiting new dealers.

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, or at some other location. ~~This training will be provided by Zoom and at your location by District Manager or Trainer, rather than live during the current pandemic.~~ The First Individual named above, who will primarily operate the dealership, must complete the New Dealer Training Program before operating the dealership. The Second Individual named above is also invited to attend the New Dealer Training Program. The New Dealer Training Program will include classroom instruction on basic business procedures, computer setup, IBN setup, customer relations, products warranty/repair, Email, Cornwell Website and My Business. Dealer must pay the cost of travel, food, lodging and any other incidental costs for the New Dealer Training Program. If the Second Individual named above at any time will primarily operate the dealership, the Second Individual must complete the training set forth above.

9. The First Individual named above agrees to engage full time in the direct operation of the franchised dealership. If the Second Individual named above at any time will primarily operate the dealership, the Second Individual must then adhere to the full-time direct operation obligation set forth above. Dealer agrees to operate only one truck, directly or indirectly, unless Cornwell expressly waives this requirement.

10. Dealer shall display 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 Dealer learns about an infringement of or challenge to its use of any of Cornwell's trademark. Cornwell will take the action it considers appropriate, with which Dealer agrees to

cooperate. While Cornwell is not required to defend Dealer against a claim against its use of the Marks, Cornwell will reimburse Dealer for Dealer's liability and reasonable costs in connection with defending Cornwell's Marks. 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 Mark 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 Marks, 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 a 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 obligations under this Agreement.

12. If Dealer's customer is the original end-user purchaser of a product manufactured by Cornwell ("Cornwell Hard Line") or of a new Kennedy steel roller cabinet, locker, cart, steel tool chest, or steel canopy for use with a Kennedy cabinet or tool chest ("Kennedy Tool Storage"), then Dealer's customer is entitled to a limited lifetime warranty that the product will be free of defects in material or workmanship under normal use and will conform to the description given them by Cornwell or Kennedy.

This limited lifetime warranty extends only to the repair or replacement of items found by Cornwell or Kennedy upon examination to be defective in material or workmanship and is subject to availability of replacement parts. This limited lifetime warranty covers only parts and materials, not labor, and cannot be assigned by the original end-user purchaser of that product.

This limited lifetime warranty does not cover products that are damaged through any intentional or negligent actions, including but not limited to misuse, mishandling, or modification or to products that reach the ends of their useful lives as a result of normal wear and tear. Misuse and mishandling of Kennedy Tool Storage products include but are not limited to overloading, especially while moving or transporting the item, and to scratching of painted and unpainted tops.

Cornwell and Kennedy are not responsible for any special, punitive, incidental or consequential damages which may arise out of the purchase or use of any Cornwell or Kennedy product. Cornwell's and Kennedy's liability for any breach of warranty shall be limited to the cost of the repair or replacement of the defective items as described above.

THIS WARRANTY IS DEALER'S CUSTOMER'S EXCLUSIVE CORNWELL HARD LINE/KENNEDY TOOL STORAGE WARRANTY AND REPLACES TO THE FULLEST EXTENT PERMITTED BY LAW ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Cornwell extends the full manufacturer's warranty to Dealer's customers, as the original end-user purchaser of products manufactured by others. No special, punitive, incidental or consequential damages of any kind are recoverable from Cornwell by any person from the use of these products. Further, there is no other warranty extended by Cornwell with respect to these products, including but not limited to warranties of merchantability and fitness for a particular purpose. In order to replace a defective item, it must be returned to Cornwell Quality Tools Company, 454 Corporate Parkway, Wadsworth, Ohio 44281.

THIS WARRANTY IS DEALER'S CUSTOMER'S EXCLUSIVE WARRANTY FROM CORNWELL AS TO PRODUCTS MANUFACTURED BY OTHERS AND REPLACES TO THE FULLEST EXTENT PERMITTED BY LAW ALL OTHER WARRANTIES BY CORNWELL, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Dealer agrees to extend all of the warranties described in this Paragraph 12 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) 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 Marks and to refrain from their misuse or (d) to supply weekly data required in Paragraph 5.e or (e) to maintain full collateralization of any promissory note and security agreement or (f) to use best full-time efforts to serve the Territory fully; (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, upon such terms as Cornwell determines. Without limiting the foregoing, Cornwell may

require Dealer to agree to a modification of the Territory as a condition of waiving Dealer's failure to use best full-time efforts to serve the Territory fully. 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. New tools will be approved for return only if they are in new and saleable condition, are active items, and have not been discontinued by Cornwell. All returns must be of current design and finish. All tools returned must be in their original individual 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 under this program: Tool storage, socket trays, clips and rails, vinyl kit bags, air compressors, lifting equipment, large shop equipment, parts washers, sales administration or truck display aids, welders, battery chargers, and serial numbered test equipment.

Upon termination of the dealership for any reason, all of Dealer's rights pertaining to the trademarks will automatically revert to Cornwell. Upon termination, Dealer must immediately discontinue use of the trademarks and – at Dealer's own sole expense – Dealer must immediately remove all of the trademarks appearing on decals, signs or otherwise, and any terms confusingly similar to them, from Dealer's truck, clothing, business cards, documents and other property. Dealer must also discontinue any use of the trademarks or any reference to them in Dealer's advertising.

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 or other mandatory 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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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), if such an entity is not already a party to this Agreement. Dealer shall not do business as an entity without Cornwell's express written consent, which shall not be unreasonably withheld. All individual parties to this Agreement agree to execute any personal guarantees and other documentation that Cornwell may require as a condition of its consent for Dealer to do business as an entity.

23. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the

franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN RECOGNITION OF WHICH and intending to be legally bound, Cornwell and the person or persons identified as Dealer above have signed duplicate copies of this Agreement on the dates stated below at Wadsworth, Ohio and _____, _____.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER 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 B-3

20232024



202324 SPECIAL REPRESENTATIVE DEALER FRANCHISE AGREEMENT

THIS SPECIAL REPRESENTATIVE DEALER FRANCHISE AGREEMENT ("Agreement") made this ____ day of _____, 20____, by and between THE CORNWELL QUALITY TOOLS COMPANY of Wadsworth, Ohio ("Cornwell") and [Entity Name, if applicable] _____ and [First Individual Name] _____ of [Residence street address] _____, [City] _____, [State] _____ [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (individually and/or collectively referred to as "Dealer").

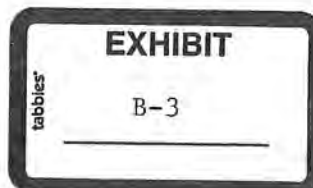
RECITALS

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.

C. Cornwell further desires to grant the Dealer status as a Special Representative, under which status the Dealer can receive free inventory in return for maintaining higher purchase levels for an extended time and/or recruiting additional dealers to Cornwell and the Dealer desires such status.

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. Dealer agrees to use Dealer's best efforts to serve the Territory fully with the sale of Cornwell products. The First Individual named above agrees to use his or her best full-time efforts to operate the dealership.

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 **\$60,000** (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. (i) The Dealer agrees to pay for the Starter Inventory by giving Cornwell a promissory note and security agreement ("the Note") in the amount of \$60,000, payable in full without interest in 36 months by weekly payments. If certain purchase or recruiting requirements are met as set forth in this Agreement and the Note, credits of \$20,000 per year for 3 years will be applied annually to the Dealer's open account.

(ii) Unless waived by Cornwell, the Dealer further agrees to deposit \$20,000, 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 cash upon execution of the Agreement, unless Cornwell agrees to finance the Reserve.

(iii) 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, 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.

(iv) 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 on and after the first day of training on Dealer's route, which may include a reasonable draw for personal living expenses, as agreed upon by Cornwell in advance, while this Agreement is in force.

4a. Special Representative Requirements and Benefits.

To remain a Special Representative and to enjoy the benefits set forth below, in addition to the interest-free Note described above, the Dealer must meet the requirements below. To the extent the requirements of this paragraph 4a conflict with other provisions of this agreement, the requirements of this paragraph shall prevail.

A. Dealer must (1) Remain a Cornwell Dealer with average purchases of not less than \$7,1597,400 per week for at least 36 months from the date that Dealer first makes sales ("Start Date") or (2) Introduce at least 3 new dealers to Cornwell within 36 months of the Start Date. Dealer's status as a Special Representative will be reviewed every 52 weeks. If Dealer both fails to satisfy the average purchase requirement and has not introduced a new dealer during the preceding 52 weeks, Dealer's status as a Special Representative may be terminated by Cornwell.

B. "Introduction" of new dealers for the purpose of Special Representative status means that such new dealers enter into Dealer Franchise Agreements, purchase Starter Inventories and remain Cornwell Dealers for a minimum of 6 months each.

C. Dealer warrants and at Cornwell's request shall document that immediately prior to joining Cornwell, Dealer was an active Dealer with a major mobile tool company (Snap-On, Mac Tools, or Matco), with substantially similar responsibilities to those of a Cornwell Special Representative and that Dealer had maintained a minimum sales average of \$9,000 per week for at least the preceding 12 months.

D. Dealer will be paid Twenty-Five Hundred Dollars (\$2,500.00) upon execution of this agreement, which will be applied as a credit to the open account, to pay the cost of a conversion package. At Cornwell's request, Dealer shall

document the use of the conversion funds and shall promptly repay any unused funds.

E. Dealer shall qualify for all Cornwell programs, except recruitment incentives for the Dealer himself or for three new dealers.

F. Dealer will qualify immediately for all Tech-Credit programs and for volume discounts for purchases as of the first week of business, not including the Starter Inventory.

G. Dealer must use the IBN program, including My Business, and must submit standard weekly reports to the District Sales Manager and to Cornwell's Wadsworth office.

H. Dealer must maintain an inventory of at least **\$60,000** net value and must use the perpetual inventory function on IBN. Dealer's inventory level will be inspected at least quarterly by the District Sales Manager and the Dealer will perform a physical inventory at least once a year, or more frequently as Cornwell may reasonably request.

I. Dealer must pay Dealer's trade account with Cornwell in accordance with Cornwell's policies and procedures, must make the required weekly payments on the Note and must otherwise comply with the terms of this Agreement, the Note, all other agreements between Cornwell and Dealer and Cornwell's other policies and procedures.

J. Following the first 52-week periods after the commencement of payments, if Dealer has complied with the requirements of this Agreement and the Note during that period, Cornwell will then issue an open account credit to Dealer of \$20,000 to be used only for the purchase of additional inventory. Following each of the next two 52-week periods after the commencement of payments, if Dealer has complied with the requirements of this Agreement and the Note during that period, Cornwell will then issue an open account credit to Dealer of \$20,000 to be used only for the purchase of additional inventory.

K. If during the first 104 weeks after the Start Date Dealer has maintained a purchase average of at least ~~\$7,8008,000~~ per week (not including the Starter Inventory), Cornwell will then issue a further open account credit to Dealer of \$10,000 to be used only for the purchase of additional inventory.

L. If during the first 156 weeks after the Start Date Dealer has maintained a purchase average of at least ~~\$7,8008,000~~ per week (not including the Starter Inventory or additional inventory purchased with the credit described in subparagraph J above), Cornwell will then issue a further open account credit to Dealer of \$15,000 to be used only for the purchase of additional inventory.

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. Approved trucks and

vans must be equipped so that District Managers or others riding with Dealer can sit safely and are protected against injury from objects thrown forward from the rear compartment. Dealer agrees to buy and wear approved Cornwell route wear.

5. b. Dealer agrees to acquire a laptop computer, bar code scanner and credit card signature pad from Cornwell (together, "the Hardware") for use on Dealer's truck. Cornwell will sell the Hardware to Dealer at Cornwell's cost, now approximately \$3,500. Cornwell will give Dealer a \$1,500 credit on Dealer's open account to offset the Hardware purchase expense. Dealer will also be required to purchase or lease a compatible printer and wireless card.

5. c. Dealer agrees to obtain and maintain high speed Internet access via a standalone Network Access Device from a mobile wireless broadband carrier, to be able to communicate electronically with Cornwell.

5. d. Dealer agrees to acquire licensing from Cornwell for the "Ironman Business Network (IBN)" Software for Cornwell dealers, under a separate License Agreement with Cornwell. Dealer will be required to use the "My Business" function in IBN as directed in order for Dealer and Cornwell to monitor Dealer's business properly. Dealer's franchise may be terminated if Dealer does not supply required data or if Dealer does not use IBN and hardware obtained from Cornwell, including, but not limited to the "My Business" function.

5. e. Dealer agrees that Cornwell will have independent access to the information that will be generated and stored on Dealer's "Ironman Business Network IBN" 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 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 after the fulfillment of the requirements of paragraphs 4a, (A) and (B), the Dealer agrees to maintain average weekly purchases from Cornwell equal to at least 90% 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 90% 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. ~~During the current pandemic, you will receive additional on-site training.~~ The Dealer must participate in the initial training offered by the District Manager. Such training will not be waived, regardless of Dealer's previous level of experience, so that Dealer will be fully acquainted with Cornwell's practices and procedures in recruiting new dealers.

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, or some other location. ~~This training will be provided by Zoom and at your location by District Manager or Trainer, rather than live during the current pandemic.~~ The First Individual named above, who will primarily operate the dealership, must complete the New Dealer Training Program before operating the dealership. The Second Individual named above is also invited to attend the New Dealer Training Program. The New Dealer Training Program will include but not be limited to classroom instruction on basic business procedures, computer setup, IBN setup, customer relations, products warranty/repair, Email, Cornwell Website and My Business. Dealer must pay the cost of travel, food, lodging and any other incidental costs for the New Dealer Training Program. If the Second Individual named above at any time will primarily operate the dealership, the Second Individual must complete the training set forth above.

9. The First Individual named above agrees to engage full time in the direct operation of the franchised dealership. If the Second Individual named above at any time will primarily operate the dealership, the Second Individual must then adhere to the full-time direct operation set forth above. Dealer agrees to operate only one truck, directly or indirectly, unless Cornwell expressly waives this requirement.

10. Dealer shall display 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 Dealer learns about an infringement of or challenge to its use of any of Cornwell's trademark. Cornwell will take the action it considers appropriate, with which Dealer agrees to cooperate. While Cornwell is not required to defend Dealer against a claim against its use of the Marks, Cornwell will reimburse Dealer for Dealer's liability and reasonable costs in connection with defending Cornwell's Marks. 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 Mark 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 Marks, 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 a 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 obligations under this Agreement.

12. If Dealer's customer is the original end-user purchaser of a product manufactured by Cornwell ("Cornwell Hard Line") or of a new Kennedy steel roller cabinet, locker, cart, steel tool chest, or steel canopy for use with a Kennedy cabinet or tool chest ("Kennedy Tool Storage"), then Dealer's customer is entitled to a limited lifetime warranty that the product will be free of defects in material or workmanship under normal use and will conform to the description given them by Cornwell or Kennedy.

This limited lifetime warranty extends only to the repair or replacement of items found by Cornwell or Kennedy upon examination to be defective in material or workmanship and is subject to availability of replacement parts. This limited lifetime warranty covers only parts and materials, not labor, and cannot be assigned by the original end-user purchaser of that product.

This limited lifetime warranty does not cover products that are damaged through any intentional or negligent actions, including but not limited to misuse, mishandling, or modification or to products that reach the ends of their useful lives as a result of normal wear and tear. Misuse and mishandling of Kennedy Tool Storage products include but are not limited to overloading, especially while moving or transporting the item, and to scratching of painted and unpainted tops.

Cornwell and Kennedy are not responsible for any special, punitive, incidental or consequential damages which may arise out of the purchase or use of any Cornwell or Kennedy product. Cornwell's and Kennedy's liability for any breach of warranty shall be limited to the cost of the repair or replacement of the defective items as described above.

THIS WARRANTY IS DEALER'S CUSTOMER'S EXCLUSIVE CORNWELL HARD LINE/KENNEDY TOOL STORAGE WARRANTY AND REPLACES TO THE FULLEST EXTENT PERMITTED BY LAW ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Cornwell extends the full manufacturer's warranty to Dealer's customers, as the original end-user purchaser of products manufactured by others. No special, punitive, incidental or consequential damages of any kind are recoverable from Cornwell by any person from the use of these products. Further, there is no other warranty extended by Cornwell with respect to these products, including but not limited to warranties of merchantability and fitness for a particular purpose. In order to replace a defective item, it must be returned to Cornwell Quality Tools Company, 454 Corporate Parkway, Wadsworth, Ohio 44281.

THIS WARRANTY IS DEALER'S CUSTOMER'S EXCLUSIVE WARRANTY FROM CORNWELL AS TO PRODUCTS MANUFACTURED BY OTHERS AND REPLACES TO THE FULLEST EXTENT PERMITTED BY LAW ALL OTHER WARRANTIES BY CORNWELL, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Dealer agrees to extend all of the warranties described in this Paragraph 12 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) 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 Marks and to refrain from their misuse or (d) to supply weekly data required in Paragraph 5.e or (e) to maintain full collateralization of any promissory note and security agreement or (f) to use best full-time efforts to serve the Territory

fully; (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, upon such terms as Cornwell determines. Without limiting the foregoing, Cornwell may require Dealer to agree to a modification of the Territory as a condition of waiving Dealer's failure to use best full-time efforts to serve the Territory fully. 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. New tools will be approved for return only if they are in new and saleable condition, are active items, and have not been discontinued by Cornwell. All returns must be of current design and finish. All tools returned must be in their original individual 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 under this program: Tool storage, socket trays, clips and rails, vinyl kit bags, air compressors, lifting equipment, large shop equipment, parts washers, sales administration or truck display aids, welders, battery chargers, and serial numbered test equipment.

Upon termination of the dealership for any reason, all of Dealer's rights pertaining to the trademarks will automatically revert to Cornwell. Upon termination, Dealer must immediately discontinue use of the trademarks and – at Dealer's own sole expense – Dealer must immediately remove all of the trademarks appearing on decals, signs or otherwise, and any terms confusingly similar to them, from Dealer's truck, clothing, business cards, documents and other property. Dealer must also

discontinue any use of the trademarks or any reference to them in Dealer's advertising.

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 or other mandatory 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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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), if such an entity is not already a party to this Agreement. Dealer shall not do business as an entity without Cornwell's express written consent, which shall not be unreasonably withheld. All individual parties to this Agreement agree to execute any personal guarantees and other documentation that Cornwell may require as a condition of its consent for Dealer to do business as an entity.

23. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN RECOGNITION OF WHICH and intending to be legally bound, Cornwell and the person or persons identified as Dealer above have signed duplicate copies of this Agreement on the dates stated below at Wadsworth, Ohio and _____, _____.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER 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 C

Amount of Note: [\$75,000]

Wadsworth, Ohio

20232024



Date: _____

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

The undersigned, individually and/or collectively, having a franchised dealership of Cornwell Quality Tools products and (if applicable) the individual owner or owners of such dealership if it is an entity, 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 to be delivered to Dealer by Cornwell and described on documentation to be sent to Dealer at the times of shipment (the "Inventory"). This order will become binding and effective when accepted in writing by Cornwell in Ohio.

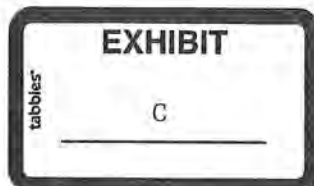
1. Promise to Pay Deferred Sales Price.

(a) The cash price for the Inventory is **\$75,000**. 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 **312** 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 more than one person (such as an entity, first dealer and second dealer), 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) The Dealer Franchise Agreement between the parties ("the Agreement") is incorporated into this Note by reference. Without limitation, the provisions of the Agreement incorporated into this Note include its paragraph 4, pertaining to the portion of the Inventory described as the "Reserve" and the manner of payment for the Reserve.

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 an 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 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 Fifty-five Thousand Dollars (\$55,000) 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 or other mandatory relief, including but not limited to replevin, 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 is otherwise necessary to obtain possession of any or all of the Total Inventory upon Dealer's default.

(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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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.

IN RECOGNITION OF WHICH and intending to be legally bound, the person or persons identified above as Dealer have signed this Order, Note and Security Agreement below.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

~~PRINT FIRST PRINCIPAL~~ INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

FOR OFFICE USE ONLY

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

CORNWELL QUALITY TOOLS COMPANY

By: _____
CORNWELL (Corporate Officer)

Statement of Outstanding Liens

There are outstanding liens against some or all of the Collateral described in this Agreement, as follows:

<u>Name</u>	<u>Amount</u>	<u>Collateral</u>
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Dealer

EXHIBIT C-1

Amount of Note: [\$75,000]

Wadsworth, Ohio



Date: _____

**CORNWELL QUALITY TOOLS COMPANY
DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT
(Veterans Program – Time-Price Charge Conditionally Waived)**

The undersigned, individually and/or collectively, having a franchised dealership of Cornwell Quality Tools products and (if applicable) the individual owner or owners of such dealership if it is an entity, 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 to be delivered to Dealer by Cornwell and described on documentation to be sent to Dealer at the times of shipment (the "Inventory"). This order will become binding and effective when accepted in writing by Cornwell in Ohio.

1. Veterans Program – Conditional Waiver of Time-Price Charge

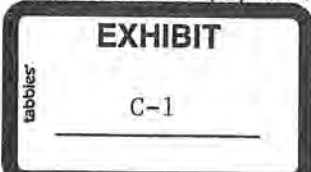
A. Dealer has represented to Cornwell and warrants that it is true that one or more of the individual Dealers was or were honorably discharged from the U.S. Military.

B. Dealer has agreed, in consideration of receiving the more favorable loan terms set forth in this Section (1), by which no time-price charge equivalent to interest will be made by Cornwell for the Inventory purchased by Dealer, 1) to have available \$10,000 of working capital as of the first day of on-truck training; 2) to lease or purchase a new tool truck; 3) to meet or exceed 90% of the Cornwell national dealer purchase average over the length of the loan; 4) to allow Cornwell to use their story and likeness for advertising purposes; 5) to meet all other requirements of Dealer's agreements with Cornwell.

C. In reliance on Dealer's representation and warranty and on Dealer's agreements set forth in paragraph B above, Cornwell and Dealer agree as set forth in paragraphs D, E and F below:

D. If the obligation set forth in Paragraph B are met, there will be no deferred sales price charged for the Inventory, meaning as well that there will be no time-price amount charged for the purchase of the Inventory, as set forth in subsection (2)(b) of this Note that would be the same as an interest charge on a loan of money.

E. All of the other terms of this Note shall be in full force and effect, including but not limited to its default provisions. Dealer understands and agrees that if Dealer fails to perform any of the terms of the Note, including but not limited to the requirements of this Section 1, the Dealer Franchise Agreement or any other obligation to Cornwell, this Section 1 of the Note will cease to be in effect. Dealer will then be obligated to pay the full remaining balance of the Note, plus the equivalent of interest, as set forth in subsections 2(a) and 2(b) of the Note, over the number of



weeks required to do so. Cornwell will in that event provide Dealer with a statement of what is owed and the schedule for its payment.

F. Dealer's compliance with the requirements of Paragraph B above will be reviewed every 13 weeks and determined every 52 weeks.

2. Promise to Pay Deferred Sales Price.

(a) The cash price for the Inventory is **\$75,000**. 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 **208204** weekly installments of \$ _____ plus an additional payment 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 more than one person (such as an entity, first dealer and second dealer), 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) The Dealer Franchise Agreement between the parties ("the Agreement") is incorporated into this Note by reference. Without limitation, the provisions of the Agreement incorporated into this Note include its paragraph 4, pertaining to the portion of the Inventory described as the "Reserve" and the manner of payment for the Reserve.

3. 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.

4. 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.

5. 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).

6. 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.

7. 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 an 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.

8. 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.

9. 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 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 Fifty-five Thousand Dollars (\$55,000) 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.

10. 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 4, 6, or 7 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 or other mandatory relief, including, but not limited to replevin 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 is otherwise necessary to obtain possession of any or all of the Total Inventory upon Dealer's default.

(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.

17. 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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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.

IN RECOGNITION OF WHICH and intending to be legally bound, the person or persons identified above as Dealer have signed this Order, Note and Security Agreement below.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

~~PRINT FIRST PRINCIPAL~~ INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

FOR OFFICE USE ONLY

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

CORNWELL QUALITY TOOLS COMPANY

By: _____
CORNWELL (Corporate Officer)

Statement of Outstanding Liens

There are outstanding liens against some or all of the Collateral described in this Agreement, as follows:

<u>Name</u>	<u>Amount</u>	<u>Collateral</u>
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Dealer

EXHIBIT C-2

Amount: [Insert \$55,000 or \$75,000]

Wadsworth, Ohio



Date: _____

**CORNWELL QUALITY TOOLS
FRANCHISE DEVELOPER DSA
DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT**

The undersigned, individually and/or collectively, having a franchised dealership of Cornwell Quality Tools products and (if applicable) the individual owner or owners of such dealership if it is an entity, 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 to be delivered to Dealer by Cornwell and described on documentation to be sent to Dealer at the times of shipment (the "Inventory"). This order will become binding and effective when accepted in writing by Cornwell in Ohio.

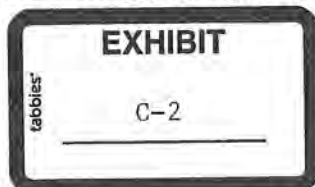
1. Maintaining Franchise Developer status

(a) Dealer and Cornwell are parties to a Franchise Developer Franchise Dealer Agreement ("Dealer Agreement"), of the same date as this Purchase Order, Note and Security Agreement ("DSA Note"). The terms of the Dealer Agreement are expressly incorporated into this DSA Note.

(b) To satisfy this DSA Note other than by the timely completion of all of the payments set forth in paragraph 2(a), the Dealer must meet the requirements set forth below. To the extent the requirements of this paragraph 1 conflict with other provisions of this DSA Note, the requirements of this paragraph shall prevail.

(c) Dealer must (1) Remain a Cornwell Dealer with average purchases of not less than \$7,1507,400 per week for at least 36 months from the date that Dealer first makes sales ("Start Date") or (2) Introduce at least 3 new dealers to Cornwell within 36 months of the Start Date. Dealer must further comply with all of the requirements of this DSA Note and the Dealer Agreement, including but not limited to making the weekly payments towards the principal amount of the Note set forth below.

(d) So long as Dealer maintains Franchise Developer Dealer status, the payment of the time-price charges equivalent to interest on the principal amount of this DSA Note is waived. Dealer must however make weekly payments as described in Section 2 below towards the principal amount of the DSA Note. Following each of the first, three 52-week periods after payments have commenced on this DSA Note, if Dealer has complied



with the requirements of the Dealer Agreement and this DSA Note during that period, Cornwell will then issue an open account credit to Dealer of the amount paid during the preceding 52-week period to be used only for the purchase of additional inventory.

(e) Dealer's status as a Franchise Developer will be reviewed every 52 weeks after the commencement of payments on this DSA Note. If at any time within 36 months of the Start Date the Dealer has introduced at least 3 new dealers to Cornwell up to ~~\$40,000~~\$55,000 of this DSA Note will be deemed satisfied in full.

(f) If Dealer both fails to satisfy the average purchase requirement and has not introduced a new dealer during the preceding 52 weeks, Dealer's status as a Franchise Developer may be terminated by Cornwell. This DSA Note may then be declared in default and accelerated, including accrued time-price charges and late charges, as provided in paragraphs 2(a), (b), (d) and (e) below and paragraphs 9 and 10 below.

(g) "Introduction" of new dealers for the purpose of Franchise Developer status means that new dealers enter into Dealer Franchise Agreements, purchase Starter Inventories and remain Cornwell Dealers for a minimum of 6 months each.

(h) The Dealer Franchise Agreement between the parties ("the Agreement") is incorporated into this Note by reference. Without limitation, the provisions of the Agreement incorporated into this Note include its paragraph 4, pertaining to the portion of the Inventory described as the "Reserve" and the manner of payment for the Reserve. If Cornwell has waived the Reserve requirement or has declined to finance the Reserve, the principal amount of this DSA Note will be \$55,000. If Cornwell requires the Reserve and has agreed to finance it, the principal amount of this DSA Note will be \$75,000.

2. Promise to Pay Deferred Sales Price.

(a) The balance owed for the Inventory is [Insert \$55,000 or \$75,000]. Dealer has chosen to pay for the Inventory over time and Dealer therefore agrees to pay [Insert calculated total at current DSA rate for Cornwell a deferred sales price of \$ \$55,000 or \$75,000]. The deferred sales price [Insert calculated total ÷ 156] indicated shall be payable in **156** weekly installments of \$ total ÷ 156 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 more than one person, first dealer and second dealer, 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 10 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 4 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 2(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.

3. Title and Shipping. The Inventory will be sent by Cornwell to Dealer at 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.

4. 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 all of 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 Franchise Developer Dealer Franchise 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.

5. Insurance.

(a) Dealer shall provide that the Collateral is continuously insured with the following minimum insurance coverage: 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 9 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).

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

7. 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 an 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.

8. 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 Franchise Developer 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 Franchise Developer Dealer Franchise Agreement.

9. 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 4 above, including but not limited to those arising from the sale of inventory described in this Agreement.

(b) If the Dealer defaults under the Franchise Developer Dealer Franchise Agreement or any other agreement or contract between the Dealer and Cornwell, including but not limited to paragraph 6 or the obligation to furnish MM1 or IBN Report Summaries as contained in paragraph 7 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 Sixty Thousand Dollars (\$60,000) 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.

10. 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 4, 6, or 7 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 Franchise Developer Dealer Franchise 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 Franchise Developer Dealer Franchise 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 4 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.

11. 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.

12. 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 8 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.

13. 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.

14. 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.

15. Application of Amounts Received. If Dealer fails to maintain Franchise Developer status, 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.

16. 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 or other mandatory relief, including but not limited to replevin, 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 is otherwise necessary to obtain possession of any or all of the Total Inventory upon Dealer's default.

(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.

17. 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 First Dealer and Second Dealer, if applicable, at the

address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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.

IN RECOGNITION OF WHICH and intending to be legally bound, the person or persons identified above as Dealer have signed this Order, Note and Security Agreement below.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

FOR OFFICE USE ONLY

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

CORNWELL QUALITY TOOLS COMPANY

By: _____
CORNWELL (Corporate Officer)

Statement of Outstanding Liens

There are outstanding liens against some or all of the Collateral described in this Agreement, as follows:

<u>Name</u>	<u>Amount</u>	<u>Collateral</u>
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Dealer

EXHIBIT C-3

Amount: [Insert \$60,000 or \$80,000]

Wadsworth, Ohio



Date: _____

**CORNWELL QUALITY TOOLS
SPECIAL REP DSA
DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT**

The undersigned, individually and/or collectively, having a franchised dealership of Cornwell Quality Tools products and (if applicable) the individual owner or owners of such dealership if it is an entity, 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 to be delivered to Dealer by Cornwell and described on documentation to be sent to Dealer at the times of shipment (the "Inventory"). This order will become binding and effective when accepted in writing by Cornwell in Ohio.

1. Maintaining Special Representative status

(a) Dealer and Cornwell are parties to a Special Representative Franchised Dealer Agreement ("Dealer Agreement"), of the same date as this Purchase Order, Note and Security Agreement ("DSA Note"). The terms of the Dealer Agreement are expressly incorporated into this DSA Note.

(b) To satisfy this DSA Note other than by the timely completion of all of the payments set forth in paragraph 2(a), the Dealer must meet the requirements set forth below. To the extent the requirements of this paragraph 1 conflict with other provisions of this DSA Note, the requirements of this paragraph shall prevail.

(c) Dealer must (1) Remain a Cornwell Dealer with average purchases of not less than \$7,1597,400 per week for at least 36 months from the date that Dealer first makes sales ("Start Date") or (2) Introduce at least 3 new dealers to Cornwell within 36 months of the Start Date. Dealer must further comply with all of the requirements of this DSA Note and the Dealer Agreement, including but not limited to making the weekly payments towards the principal amount of the DSA Note set forth below.

(d) So long as Dealer maintains Special Representative status, the payment of the time-price charges equivalent to interest on the principal amount of this DSA Note is waived. Dealer must however make 156 weekly payments as described in Section 2 below towards the principal amount of the DSA Note. Following each of the first, three 52-week periods after payments have commenced on this Note, if Dealer has complied with the



requirements of the Dealer Agreement and this DSA Note during that period, Cornwell will then issue an open account credit of \$20,000.

(e) Dealer's status as a Special Representative will be reviewed every 52 weeks after the commencement of payments on this DSA Note. If at any time within 36 months of the Start Date the Dealer has introduced at least 3 new dealers to Cornwell, up to \$60,000 of this DSA Note will be deemed satisfied in full.

(f) If Dealer both fails to satisfy the average purchase requirement and has not introduced a new dealer during the preceding 52 weeks, Dealer's status as a Special Representative may be terminated by Cornwell. This DSA Note may then be declared in default and accelerated, including accrued time-price charges on the outstanding balance and late charges, as provided in paragraphs 2(a), (b), (d) and (e) below and paragraphs 9 and 10 below.

(g) "Introduction" of new dealers for the purpose of Special Representative status means that such new dealers enter into Dealer Franchise Agreements, purchase Starter Inventories and remain Cornwell Dealers for a minimum of 6 months each.

(h) The Dealer Franchise Agreement between the parties ("the Agreement") is incorporated into this Note by reference. Without limitation, the provisions of the Agreement incorporated into this Note include its paragraph 4, pertaining to the portion of the Inventory described as the "Reserve" and the manner of payment for the Reserve. If Cornwell has waived the Reserve requirement or has declined to finance the Reserve, the principal amount of this DSA Note will be \$60,000. If Cornwell requires the Reserve and has agreed to finance it, the principal amount of this DSA Note will be \$80,000.

2. Promise to Pay Deferred Sales Price.

(a) The balance owed for the Inventory is [Insert \$60,000 or \$80,000]. Dealer has chosen to pay for the Inventory over time and Dealer therefore agrees to pay [Insert calculated total based on \$60,000 or \$80,000]. Cornwell a deferred sales price of \$ _____ . The deferred sales price [Insert calculated total ÷ 156] indicated shall be payable in 156 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 more than one person, first dealer and second dealer, 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 10 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 4 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 2(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.

3. Title and Shipping. The Inventory will be sent by Cornwell to Dealer at 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.

4. 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 all of 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 Special Representative Dealer Franchise 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.

5. 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 9 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).

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

7. 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 an 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.

8. 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 Special Representative 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 Special Representative Dealer Franchise Agreement.

9. 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 4 above, including but not limited to those arising from the sale of inventory described in this Agreement.

(b) If the Dealer defaults under the Special Representative Dealer Franchise Agreement or any other agreement or contract between the Dealer and Cornwell, including but not limited to paragraph 6 or the obligation to furnish IBN Report Summaries as contained in Paragraph 7 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 Sixty Thousand Dollars (\$60,000) 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.

10. 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 4, 6, or 7 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 Special Representative Dealer Franchise 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 Special Representative Dealer Franchise 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 4 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.

11. 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.

12. 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 8 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.

13. 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.

14. 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.

15. Application of Amounts Received. If Dealer fails to maintain Special Representative status, 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.

16. 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 or other mandatory relief, including but not limited to replevin, 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 is otherwise necessary to obtain possession of any or all of the Total Inventory upon Dealer's default.

(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.

17. 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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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.

IN RECOGNITION OF WHICH and intending to be legally bound, the person or persons identified above as Dealer have signed this Order, Note and Security Agreement below.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

~~PRINT FIRST~~ ~~PRINCIPAL~~ INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

FOR OFFICE USE ONLY

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

CORNWELL QUALITY TOOLS COMPANY

By: _____
CORNWELL (Corporate Officer)

Statement of Outstanding Liens

There are outstanding liens against some or all of the Collateral described in this Agreement, as follows:

<u>Name</u>	<u>Amount</u>	<u>Collateral</u>
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Dealer

20232024



CORNWELL
QUALITY TOOLS



CORNWELL
QUALITY TOOLS

EXHIBIT D
APPENDIX STATE SPECIFIC
INFORMATION

List of State Administrators

Arizona

Arizona Corporation Commission
Securities Division
1300 W. Washington Street
Phoenix, AZ 85007

California

California Department of Financial
Protection and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104

Washington, DC

Department of Consumer and
Regulatory Affairs
1100 4th Street, SW
Washington, DC 20024

Florida

Florida Dept. of Agriculture &
Consumer Services
P.O. Box 6700
Tallahassee, FL 32314

Georgia

Georgia Department of Law
Consumer Protection Unit
2 Martin Luther King Dr., Ste. 356
Atlanta, GA 30334-9077

Idaho

Idaho Department of Finance
Securities Bureau
800 E. Park Blvd., Ste. 200
Boise, ID 83712

or

P.O. Box 83720
Boise, ID 83720-0031

Illinois

Franchise Bureau
Illinois Attorney General
500 S. Second Street
Springfield, IL 62701

Indiana

Indiana Securities Division
302 W. Washington Street
Room E111
Indianapolis, IN 46204

Kentucky

Office of the Attorney General
700 Capitol Avenue, Ste. 118
Frankfort, KY 40601-3449

Louisiana

Office of the Attorney General
Consumer Protection Division
2610-A Woodale Boulevard
Baton Rouge, LA 70804

Maine

Maine Dept. of Professional &
Financial Regulation
Office of Securities
121 State House Station
Augusta, ME 04333

Maryland

Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202

Michigan

Dept. of Attorney General
Consumer Protection Division
Attn: Franchise
P.O. Box 30213
Lansing, MI 48909

Minnesota

Minnesota Dept. of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

Missouri

Missouri Attorney General's
Office, Supreme Court Bldg.
207 W. High Street
P.O. Box 899
Jefferson City, MO 65102

Montana

Commissioner of Securities
and Insurance
Montana State Auditor's Office
Securities Department
840 Helena Avenue
Helena, MT 59601

Nebraska

Dept. of Banking and Finance
1526 K Street, #300
Lincoln, NE 68508

Nevada

The Nevada Secretary of State
Securities Division
555 E. Washington Avenue
Suite 5200
Las Vegas, NV 89101

New Mexico

The New Mexico Regulation and
Licensing Department
Securities Division
P.O. Box 25101
Santa Fe, NM 87505

New York

New York Atty. General's Office
120 Broadway
New York, NY 10271

North Carolina

NC Secretary of State
Business Opportunity Registration
P.O. Box 29622
Raleigh, NC 27626-0622

North Dakota

The Securities Commissioner's
Office
North Dakota Securities Dept.
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

Oklahoma

The Oklahoma Securities Division
Department of Securities
204 N. Robinson Avenue, Ste. 400
Oklahoma City, OK 73102

Oregon

Oregon Division of Finance and
Corporate Securities
P.O. Box 14480
Salem, OR 97309-0405

Rhode Island

Dept. of Business Regulation
Securities Division
1511 Pontiac Avenue, Bldg. 69-1
John O. Pastore Complex
Cranston, RI 02920

South Carolina

South Carolina Secretary of
State's Office
Attn: Business Opportunities
Division
1205 Pendleton St., Ste. 525
Columbia, SC 29201

South Dakota

South Dakota Division of
Insurance Securities Regulation
124 S. Euclid Ave., Suite 104
Pierre, SD 57501

Tennessee

Tennessee Department of
Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-0565

Texas

Texas Secretary of State
Executive Division
P.O. Box 12697
Austin, TX 78711

Utah

Utah Dept. of Commerce
Division of Securities
160 E. 300 South, 2nd Flr.
P.O. Box 146760
Salt Lake City, UT 84114

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street
9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

State of Washington
Dept. of Financial Institutions
Securities Division
P.O. Box ~~90334~~1200
Olympia, WA ~~98507-~~
~~90339~~8504-1200

Wisconsin

State of Wisconsin
Division of Securities
P.O. Box 1768
Madison, WI 53701-1768

Wyoming

Secretary of State
Compliance Division
State Capitol Building
200 W. 24th Street
Cheyenne, WY 82002-0020

List of Agents for Service of Process for Cornwell Quality Tools Company

Alabama

CT Corporation System
2 North Jackson Street, Ste. 605
Montgomery, AL 36104

Arizona

CT Corporation System
3800 North Central Ave., Ste. 460
Phoenix, AZ 85012

Arkansas

The Corporation Company
124 W. Capitol Ave., Ste. 1900
Little Rock, AR 72201

California

CT Corporation System
555 Capitol Mall, Suite 1000
Sacramento, CA 95814

or

California Department of Financial
Protection and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104

Colorado

The Corporation Company
7700 East Arapahoe Road, Ste. 220
Centennial, CO 80112

Connecticut

CT Corporation System
One Corporate Center, Flr. 11
Hartford, CT 06103

Delaware

The Corporation Trust Company
Corporation Trust Center
1209 N. Orange Street
Wilmington, DE 19801

District of Columbia

CT Corporation System
1015 15th Street, NW, Ste. 1000
Washington, DC 20005

Florida

CT Corporation System
1200 South Pine Island Road
Plantation, FL 33324

Georgia

CT Corporation System
1201 Peachtree, N.E., Ste. 1240
Atlanta, GA 30361

Idaho

CT Corporation System
921 S. Orchard Street, Ste. G
Boise, ID 83705

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62701

or

CT Corporation
208 S. LaSalle Street, Ste. 814
Chicago, IL 60604

Indiana

Indiana Securities Division
302 W. Washington St., Rm. E111
Indianapolis, IN 46204

or

CT Corporation System
150 W. Market St., Ste. 800
Indianapolis, IN 46204

Iowa

CT Corporation System
400 E. Court Avenue, Ste. 110
Des Moines, IA 50309

Kansas

The Corporation Company, Inc.
112 SW 7th Street, Suite 3C
Topeka, KS 66603

Kentucky

CT Corporation System
306 W. Main Street, Ste. 512
Frankfort, KY 40601

Louisiana

CT Corporation System
3867 Plaza Tower Drive
Baton Rouge, LA 70816

Maine

CT Corporation System
128 State St., #3
Augusta, ME 04330

Maryland

Maryland Securities Commissioner
200 St. Paul Place, 20th Flr.
Baltimore, MD 21202-2020

or

CT Corporation
351 West Camden Street
Baltimore, MD 21201

Massachusetts

CT Corporation System
155 Federal Street, Ste. 700
Boston, MA 02110

Michigan

The Corporation Company
40600 Ann Arbor Road E.
Ste. 201
Plymouth, MI 48170

Minnesota

CT Corporation System, Inc.
1010 Dale Street N.
St. Paul, MN 55117

or

Minnesota Department of
Commerce
85 7th Place East, Ste. 280
St. Paul, MN 55101

Mississippi

CT Corporation System
645 Lakeland East Drive, Ste. 101
Flowood, MS 39232

Missouri

CT Corporation System
120 S. Central Ave., Ste. 400
Clayton, MO 63105

Montana

CT Corporation System
3011 American Way
Missoula, MT 59808

Nebraska

CT Corporation System
5601 South 59th Street
Lincoln, NE 68516

Nevada

The Corporation Trust Company
of Nevada
701 S. Carson St., Ste. 200
Carson City, NV 89701

New Hampshire

CT Corporation System
9 Capitol Street
Concord, NH 03301

New Jersey

The Corporation Trust Company
820 Bear Tavern Road
West Trenton, NJ 08628

New Mexico

CT Corporation System
206 S. Coronado Ave.
Española, NM 87532

New York

New York Dep. of State's Office
Division of Corporations
State Records and Uniform
Commercial Code
One Commerce Plaza
99 Washington Avenue, 6th Flr.
Albany, NY 12231

or

CT Corporation System
111 Eighth Avenue
New York, NY 10011

North Carolina

CT Corporation System
160 Mine Lake Court, Ste. 200
Raleigh, NC 27615

North Dakota

Securities Commissioner's Office
North Dakota Securities Dept.
State Capitol, 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505-0510

or

CT Corporation System
314 E. Thayer Avenue
Bismarck, ND 58501

Ohio

CT Corporation System
4400 Easton Commons Way
Suite 125
Columbus, OH 43219

Oklahoma

The Corporation Company
1833 South Morgan Road
Oklahoma City, OK 73128

Oregon

CT Corporation System
780 Commercial Street, SE
Salem, OR 97301

Pennsylvania

CT Corporation System
116 Pine Street, Suite 320
Harrisburg, PA 17101

Rhode Island

Department of Business Regulation
Securities Division
John O' Pastore Complex
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920

South Carolina

CT Corporation System
2 Office Park Court, Suite 103
Columbia, SC 29223

South Dakota

South Dakota Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501

or

CT Corporation
319 S. Coteau Street
Pierre, SD 57501

Tennessee

CT Corporation System
800 S. Gay Street, Suite 2021
Knoxville, TN 37929

Texas

CT Corporation
1999 Bryan Street, Ste. 900
Dallas, TX 75201-3136

Utah

CT Corporation System
1108 East South Union Avenue
Midvale, UT 84047

Vermont

CT Corporation System
17 G W Tatro Drive
Jeffersonville, VT 05464

Virginia

Clerk of the State Corporation
Commission
1300 E. Main Street, 9th Floor
Richmond, VA 23219

or

CT Corporation System
4701 Cox Road, Suite 285
Glen Allen, VA 23060

Washington

CT Corporation System
505 Union Avenue SE, Ste. 120
Olympia, WA 98501

or

Department of Financial
Institutions
Securities Administrator
150 Israel Road, SW
Turnwater, WA 98501

West Virginia

CT Corporation System
5400 D Big Tyler Road
Charleston, WV 25313

Wisconsin

Division of Securities
P.O. Box 1768
Madison, WI 53701

or

CT Corporation
301 S. Bedford St., Ste. 1
Madison, WI 53703

Wyoming

CT Corporation System
1712 Pioneer Ave., Ste. 120
Cheyenne, WY 82001

For Use in California

Form E-Franchise Seller Disclosure Form

1. List the Persons who will offer or sell franchises in this state. For each person, state:

- a) Name: **Brian Baldwin**
- b) Business/home address and telephone number:
- c) Present employer: **Cornwell Quality Tools Company**
- d) Present title: **District Manager**
- e) Social Security number:
- f) Birth date:
- g) Employment during the last five years. For each employment, state the name of the employer, position held and beginning and ending dates:
 - **Brian Baldwin's Cornwell Tools - Owner 12/01/2015-12/30/2018**
 - **Truck Works, Inc. – Foreman 12/01/2010-11/01/2015**

2. State whether any person identified in 1. above:

A. Has any administrative, civil or criminal action pending alleging a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable allegations?

YES _____ NO X

B. Has during the 10 year period immediately before the Disclosure Document date:

(1) been convicted of a felony or pleaded no lo contendere to a felony charge or been held liable in a civil action by final judgment if the felony or civil action involved a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable violations of law?

YES _____ NO X

(2) entered into or been named in any consent judgment, decree, order or assurance under federal or state franchise, securities anti-trust, monopoly, trade practice, or trade regulation law?

YES _____ NO X

(3) been subject to any order of any national securities association or national securities exchange (as defined in the Securities And Exchange Act of 1934, 15 U.S.C. 78a) suspending or expelling the person from membership in the association or exchange?

YES _____ NO X

C. For each above question answered "Yes" state: **N/A**

1. the name of the person or entity involved;
2. the court, agency, association or exchange involved;
3. a summary of the allegations;
4. if applicable, the date of the conviction, judgment, decree, order or assurance;
and
5. the penalty imposed, damages assessed, terms and conditions of the
Judgment, decree, or order or assurance.

Form E-Franchise Seller Disclosure Form

1. List the Persons who will offer or sell franchises in this state. For each person, state:

- a) Name: **Brian Brotherton**
- b) Business/home address and telephone number:
- c) Present employer: **Cornwell Quality Tools Company**
- d) Present title: **District Manager**
- e) Social Security number:
- f) Birth date:
- g) Employment during the last five years. For each employment, state the name of the employer, position held and beginning and ending dates:
Franchisee from 05-24-13 to 01-02-18; Cornwell Quality Tools, District Manager, 01-01-18 to present

2. State whether any person identified in 1. above:

A. Has any administrative, civil or criminal action pending alleging a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable allegations?

YES _____ NO X

B. Has during the 10 year period immediately before the Disclosure Document date:

(1) been convicted of a felony or pleaded no lo contendere to a felony charge or been held liable in a civil action by final judgment if the felony or civil action involved a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable violations of law?

YES _____ NO X

(2) entered into or been named in any consent judgment, decree, order or assurance under federal or state franchise, securities anti-trust, monopoly, trade practice, or trade regulation law?

YES _____ NO X

(3) been subject to any order of any national securities association or national securities exchange (as defined in the Securities And Exchange Act of 1934, 15 U.S.C. 78a) suspending or expelling the person from membership in the association or exchange?

YES _____ NO X

C. For each above question answered "Yes" state: **N/A**

1. the name of the person or entity involved;
2. the court, agency, association or exchange involved;
3. a summary of the allegations;
4. if applicable, the date of the conviction, judgment, decree, order or assurance;
and
5. the penalty imposed, damages assessed, terms and conditions of the
Judgment, decree, or order or assurance.

Form E-Franchise Seller Disclosure Form

1. List the Persons who will offer or sell franchises in this state. For each person, state:

- a) Name: **DeWayne Herbert**
- b) Business/home address and telephone number:
- c) Present employer: **Cornwell Quality Tools Company**
- d) Present title: **District Manager**
- e) Social Security number:
- f) Birth date:
- g) Employment during the last five years. For each employment, state the name of the employer, position held and beginning and ending dates:
Matco Tools/District Manager- 2004-2016
Cornwell Quality Tools 4/2016 – present

2. State whether any person identified in 1. above:

A. Has any administrative, civil or criminal action pending alleging a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable allegations?

YES _____ NO X

B. Has during the 10 year period immediately before the Disclosure Document date:

(1) been convicted of a felony or pleaded no lo contendere to a felony charge or been held liable in a civil action by final judgment if the felony or civil action involved a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable violations of law?

YES _____ NO X

(2) entered into or been named in any consent judgment, decree, order or assurance under federal or state franchise, securities anti-trust, monopoly, trade practice, or trade regulation law?

YES _____ NO X

(3) been subject to any order of any national securities association or national securities exchange (as defined in the Securities And Exchange Act of 1934, 15 U.S.C. 78a) suspending or expelling the person from membership in the association or exchange?

YES _____ NO X

C. For each above question answered "Yes" state: **N/A**

1. the name of the person or entity involved;
2. the court, agency, association or exchange involved;
3. a summary of the allegations;
4. if applicable, the date of the conviction, judgment, decree, order or assurance;
and
5. the penalty imposed, damages assessed, terms and conditions of the
Judgment, decree, or order or assurance.

Form E-Franchise Seller Disclosure Form

1. List the Persons who will offer or sell franchises in this state. For each person, state:

- a) Name: **Matthew Messick**
- b) Business/home address and telephone number:
- c) Present employer: **Cornwell Quality Tools Company**
- d) Present title: **District Manager**
- e) Social Security number:
- f) Birth date:
- g) Employment during the last five years. For each employment, state the name of the employer, position held and beginning and ending dates:

Pavement Recycling Systems Fleet manager	09/2016-10/2017
Cornwell Franchise Owner	01/2018-1/2021
Cornwell Tools District Manager	01/2021-Present

2. State whether any person identified in 1. above:

A. Has any administrative, civil or criminal action pending alleging a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable allegations?

YES _____ NO X

B. Has during the 10 year period immediately before the Disclosure Document date:

(1) been convicted of a felony or pleaded no lo contendere to a felony charge or been held liable in a civil action by final judgment if the felony or civil action involved a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable violations of law?

YES _____ NO X

(2) entered into or been named in any consent judgment, decree, order or assurance under federal or state franchise, securities anti-trust, monopoly, trade practice, or trade regulation law?

YES _____ NO X

(3) been subject to any order of any national securities association or national securities exchange (as defined in the Securities And Exchange Act of 1934, 15 U.S.C. 78a) suspending or expelling the person from membership in the association or exchange?

YES _____ NO X

C. For each above question answered "Yes" state: **N/A**

1. the name of the person or entity involved;
2. the court, agency, association or exchange involved;
3. a summary of the allegations;
4. if applicable, the date of the conviction, judgment, decree, order or assurance;
and
5. the penalty imposed, damages assessed, terms and conditions of the
Judgment, decree, or order or assurance.

Form E-Franchise Seller Disclosure Form

1. List the Persons who will offer or sell franchises in this state. For each person, state:

- a) Name: **Jerry Young**
- b) Business/home address and telephone number:
- c) Present employer: **Cornwell Quality Tools Company**
- d) Present title: **District Manager**
- e) Social Security number:
- f) Birth date:
- g) Employment during the last five years. For each employment, state the name of the employer, position held and beginning and ending dates:
Cornwell Tools District Manager 01/01/2018-Present

2. State whether any person identified in 1. above:

A. Has any administrative, civil or criminal action pending alleging a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable allegations?

YES _____ NO X

B. Has during the 10 year period immediately before the Disclosure Document date:

(1) been convicted of a felony or pleaded no lo contendere to a felony charge or been held liable in a civil action by final judgment if the felony or civil action involved a violation of franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or other comparable violations of law?

YES _____ NO X

(2) entered into or been named in any consent judgment, decree, order or assurance under federal or state franchise, securities anti-trust, monopoly, trade practice, or trade regulation law?

YES _____ NO X

(3) been subject to any order of any national securities association or national securities exchange (as defined in the Securities And Exchange Act of 1934, 15 U.S.C. 78a) suspending or expelling the person from membership in the association or exchange?

YES _____ NO X

C. For each above question answered "Yes" state: **N/A**

1. the name of the person or entity involved;
2. the court, agency, association or exchange involved;
3. a summary of the allegations;
4. if applicable, the date of the conviction, judgment, decree, order or assurance;
and
5. the penalty imposed, damages assessed, terms and conditions of the
Judgment, decree, or order or assurance.

For Use in Maryland

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document. You should also read the Notes included below.

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Term of the franchise	Section 10	No set term
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Section 13	30 days' written notice, subject to state law
e. Termination by Cornwell without cause	Section 13, 16	Five years from the date of the Franchise Agreement, if Cornwell ceases selling its products in the state. Cornwell will give one year notice.
f. Termination by Cornwell with cause	Section 13	Cornwell may terminate if you default in any obligation under Franchise Agreement.
g. "Cause" defined – defaults which can be cured	Section 13	You have thirty days to cure default due to non-payment, failure to maintain inventory purchase level or other reasons not set forth in subsection h below. Cornwell may agree to waive any default.
h. "Cause" defined – defaults which cannot be cured	Section 13	You have no right to cure default caused by bankruptcy or similar

THE FRANCHISE RELATIONSHIP

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		proceedings against you, the appointment of a receiver, assignment for benefit of creditors or a felony conviction. Cornwell may agree to waive any default on such terms as Cornwell determines.
i. Your obligations on termination/nonrenewal	Section 15	Obligation includes payment of amount due, discontinuance of use of marks, and shipment merchandise to be purchased by Cornwell within 30 days of termination date.
j. Assignment of contract by Cornwell	Section 11	No restriction on Cornwell's right to assign.
k. "Transfer" by you – definition	Section 11	Includes transfer of franchise or assets.
l. Cornwell's approval of transfer by franchisee	Section 11	Cornwell has full right of approval of franchise transfer, which will not be unreasonably withheld. You may transfer assets freely, subject to Cornwell's security interest.
m. Conditions for Cornwell approval of transfer	Section 11	Active family member, in Cornwell's sole discretion, for transfer of franchise on death or disability; satisfaction of debt, for assets.

THE FRANCHISE RELATIONSHIP

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
n. Cornwell's right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Cornwell's option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Sections 11, 14	Terminates franchise; transfer possible to active family member.
q. Non-competition covenants during the term of the franchise	Not Applicable	Subject to state law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Subject to state law
s. Modification of the agreement	Section 18	Only in writing signed by Cornwell and You.
t. Integration/merger clause	Section 19	Only terms of agreement are binding (subject to state law). Any other promise may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 20	Except for injunctive relief by Cornwell and claims arising under the Maryland Franchise Registration and Disclosure Law, all claims must be arbitrated, subject to state law.
v. Choice of forum	Section 20	Arbitration must be in Ohio, claims arising under the Maryland Franchise Registration and Disclosure Law must be brought in

THE FRANCHISE RELATIONSHIP

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		Maryland, subject to state law.
w. Choice of law	Section 20	Ohio law applies, except to claims arising under the Maryland Franchise Registration and Disclosure Law, subject to state law.

For Use in Maryland
EXHIBIT **IJ**
RECEIPT

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

If Cornwell offers you a franchise, Cornwell must provide this Franchise Disclosure Document to you by the earliest of the time required by your state as set forth in Exhibit D, referenced in Item 22 of the Franchise Disclosure Document or:

1. The first personal meeting to discuss our franchise; or
2. Ten (10) business days before the signing of a binding agreement; or
3. Ten (10) business days before a payment to Cornwell.

You must also receive a Franchise Agreement containing all material terms at least five (5) business days before you sign a Franchise Agreement.

If Cornwell does not deliver this Franchise 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 state agency listed for your state in Exhibit D of the Franchise Disclosure Document, if applicable.

The franchise is offered by Cornwell Quality Tools Company, 667 Seville Road, Wadsworth, Ohio 44281, (330) 336-3506 and Cornwell's district managers are: Ben DeCraene, 1095 German Chapel Road, Prince Frederick, MD 20678, (443) 841-5613; and Joe Galuppo, 5032 Shady Dell Road, Dover, Pennsylvania 17315, (717) 668-2055.

Issuance date: January 18, 202324

Cornwell's agent for service of process is Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202-2020.

I have received a Disclosure Document dated _____, 202324, that included the following Exhibits:

- A. FINANCIAL STATEMENTS
- B. DEALER FRANCHISE AGREEMENT
- B-1. ADDENDUM TO DEALER FRANCHISE AGREEMENT (SECOND FRANCHISE, IF APPLICABLE)
- ~~B-2. ADDENDUM TO DEALER FRANCHISE AGREEMENT (SECOND TRUCK, IF APPLICABLE)~~
- B-32. FRANCHISE DEVELOPER DEALER FRANCHISE AGREEMENT (IF APPLICABLE)
- B-43. SPECIAL REPRESENTATIVE DEALER FRANCHISE AGREEMENT (IF APPLICABLE)
- C. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT
- C-1. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT (VETERANS INCENTIVE PROGRAM)(IF APPLICABLE)
- C-2. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT – FRANCHISE DEVELOPER (IF APPLICABLE)
- C-3. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT – SPECIAL REPRESENTATIVE (IF APPLICABLE)
- D. APPENDIX WITH STATE-SPECIFIC INFORMATION
- E. TECH-CREDIT DEALER CREDIT ASSIGNMENT AGREEMENT
- F. ACH AGREEMENT – AUTHORIZATION AGREEMENT FOR AUTOMATIC PAYMENT
- G. DCA AUTHORIZATION- DEALER CREDIT ACCOUNT PROGRAM AUTHORIZATION
- H. IRONMAN BUSINESS NETWORK (IBN)-END USER LICENSE AGREEMENT
- I. ~~ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND DEALER FRANCHISE AGREEMENT RE: TRAINING DURING PANDEMIC RESTRICTIONS~~
- J. ~~RECEIPT~~

Dealership name if an entity: _____

Dated: _____
(Do not leave blank)

Owner Operator name: _____
(Please print)

Owner Operator signature: _____

Dated: _____
(Do not leave blank)

Other Owner name: _____
(Please print)

Other Owner 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.

FOR USE IN NEW YORK

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document. You should also read the Notes included below.

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Term of the franchise	Section 10	No set term
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable. However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
d. Termination by you	Section 13	30 days' written notice, subject to state law. You may terminate the agreement on any grounds available by law.
e. Termination by Cornwell without cause	Section 13, 16	Five years from the date of the Franchise Agreement, if Cornwell ceases selling its products in the state. Cornwell will give one year notice.

FOR USE IN NEW YORK

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
f. Termination by Cornwell with cause	Section 13	Cornwell may terminate if you default in any obligation under the Franchise Agreement.
g. "Cause" defined – defaults which can be cured	Section 13	You have thirty days to cure default due to non-payment, failure to maintain inventory purchase level or other reasons not set forth in subsection h below. Cornwell may agree to waive any default.
h. "Cause" defined – defaults which cannot be cured	Section 13	You have no right to cure default caused by bankruptcy or similar proceedings against you, the appointment of a receiver, assignment for benefit of creditors or a felony conviction. Cornwell may agree to waive any default on such terms as Cornwell determines.
i. Your obligations on termination/nonrenewal	Section 15	Obligation includes payment of amount due, discontinuance of use of marks, and shipment merchandise to be purchased by Cornwell within 30 days of termination date
j. Assignment of contract by Cornwell	Section 11	No restriction on Cornwell's right to assign
k. "Transfer" by you – definition	Section 11	Includes transfer of franchise or assets

FOR USE IN NEW YORK

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
l. Cornwell's approval of transfer by franchisee	Section 11	Cornwell has full right of approval of franchise transfer, which will not be unreasonably withheld. You may transfer assets freely, subject to Cornwell's security interest.
m. Conditions for Cornwell approval of transfer	Section 11	<p>Active family member, in Cornwell's sole discretion, for transfer of franchise on death or disability; satisfaction of debt, for assets.</p> <p>However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.</p>
n. Cornwell's right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Cornwell's option to purchase your business	Not Applicable	Not Applicable

FOR USE IN NEW YORK

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
p. your death or disability	Sections 11, 14	Terminates franchise; transfer possible to active family member
q. Non-competition covenants during the term of the franchise	Not Applicable	Subject to state law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Subject to state law
s. Modification of the agreement	Section 18	Only in writing signed by Cornwell and You
t. Integration/merger clause	Section 19	Only terms of agreement are binding (subject to state law). Any other promise may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 20	Except for injunctive relief by Cornwell, all claims must be arbitrated, subject to state law.
v. Choice of forum	Section 20	Arbitration must be in Ohio, subject to state law The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

FOR USE IN NEW YORK

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
w. Choice of law	Section 20	Ohio law applies, subject to state law The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

For Use in Virginia

STATE OF VIRGINIA

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document. You should also read the Notes included below.

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Term of the franchise	Section 10	No set term
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Section 13	30 days' written notice, subject to state law.
e. Termination by Cornwell without cause	Section 13, 16	Five years from the date of the Franchise Agreement, if Cornwell ceases selling its products in the state. Cornwell will give one year notice.
f. Termination by Cornwell with cause	Section 13	Cornwell may terminate if you default in any obligation under the Franchise Agreement.
g. "Cause" defined – defaults which can be cured	Section 13	You have thirty days to cure default due to non-payment, failure to maintain inventory purchase level or other reasons not set forth in subsection h below. Cornwell may agree to waive any default.

THE FRANCHISE RELATIONSHIP

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
h. "Cause" defined – defaults which cannot be cured	Section 13	You have no right to cure default caused by bankruptcy or similar proceedings against you, the appointment of a receiver, assignment for benefit of creditors or a felony conviction. Cornwell may agree to waive any default on such terms as Cornwell determines.
i. Your obligations on termination/nonrenewal	Section 15	Obligation includes payment of amount due, discontinuance of use of marks, and shipment merchandise to be purchased by Cornwell within 30 days of termination date.
j. Assignment of contract by Cornwell	Section 11	No restriction on Cornwell's right to assign
k. "Transfer" by you – definition	Section 11	Includes transfer of franchise or assets
l. Cornwell's approval of transfer by franchisee	Section 11	Cornwell has full right of approval of franchise transfer, which will not be unreasonably withheld. You may transfer assets freely, subject to Cornwell's security interest.
m. Conditions for Cornwell approval of transfer	Section 11	Active family member, in Cornwell's sole discretion, for transfer of franchise on death or disability; satisfaction of debt, for assets
n. Cornwell's right of first refusal to acquire your business	Not Applicable	Not Applicable

THE FRANCHISE RELATIONSHIP

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
o. Cornwell's option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Sections 11, 14	Terminates franchise; transfer possible to active family member
q. Non-competition covenants during the term of the franchise	Not Applicable	Subject to state law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Subject to state law
s. Modification of the agreement	Section 18	Only in writing signed by Cornwell and You
t. Integration/merger clause	Section 19	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 20	Except for injunctive relief by Cornwell, all claims must be arbitrated, subject to state law
v. Choice of forum	Section 20	Arbitration must be in Ohio, subject to state law
w. Choice of law	Section 20	Ohio law applies, subject to state law

STATE ADDENDUMS

ARKANSAS ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Arkansas law and is supplemented, amended and modified as set forth below:

1. The Franchise Agreement can only be terminated for good cause. Notice of termination must be given at least ninety (90) days in advance of the action, with at least thirty (30) days to rectify any claimed deficiency.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

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AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

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SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

CALIFORNIA APPENDIX

This Appendix to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by California law and is supplemented, amended and modified as set forth below:

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Section 31125 of the Franchise Investment Law requires us to give to you a Disclosure Document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

We add the following paragraphs:

Item 3: Neither Cornwell, nor any person identified in Item 2 above, is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or any federal, state or Canadian franchise, securities, anti-trust, trade regulation, or trade practice law as the result of a concluded or pending action or proceeding brought by a public agency, or any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

Item 10: Cornwell will comply with all laws governing any direct financing offered by Cornwell, including, if applicable, the California Finance Lenders Law.

Item 17: California Business & Professions Code § 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. In particular, you should note the following most pertinent parts of the Code provisions:

"Good cause," for the purpose of authorizing termination of the Franchise Agreement prior to the end of its term means your failure to substantially comply with the lawful requirements imposed upon you by the Franchise Agreement after being given notice and a reasonable opportunity to cure the failure. Notice shall be given at least 60 days in advance and you will have a reasonable opportunity to cure any non-monetary failure in no less than 60 days from the date of the notice of noncompliance. However, your failure for a period of 5 days after notification of noncompliance to cure a monetary failure or for a period of 10 days to comply with any federal, state or local laws or regulations including, but not limited to, all health, safety, building and labor laws or regulations applicable to operation of the franchise shall constitute grounds for immediate termination of the franchise agreement by Cornwell.

Upon the lawful termination of the franchise, Cornwell will compensate you, at the value of price paid minus depreciation, for all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for by you from Cornwell or its approved suppliers and

sources under the terms of the Franchise Agreement or any ancillary or collateral agreement, that are, at the time of the notice of termination your possession or used in the franchise business, with exceptions specified by law.

You may sell or transfer the franchise, or all or substantially all of the assets of the franchise business, or a controlling or non-controlling interest of the business, to another person, provided that certain conditions are met, including that: a) the person is qualified under Cornwell's then-existing standards for approval of new or renewing franchisees; b) the standards are made available to you and are consistently applied to similarly situated franchisees; and c) you and the buyer comply with the transfer conditions specified in the Franchise Agreement. However, you shall not have the right to sell, transfer, or assign the franchise without the written consent of Cornwell, except that consent shall not be withheld unless the buyer, transferee, or assignor does not meet the standards for new franchisees or does not comply with the transfer conditions specified in the Franchise Agreement.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.)

The Franchise Agreement requires binding arbitration. The arbitration will occur at the location that you and Cornwell agree, or, in the absence of any agreement, in Akron, Ohio. Each party shall pay its own costs and expenses, including reasonable attorney's fees incurred by it; provided, however, any costs incident to enforcing the award, shall to the maximum extent permitted by the law, be charged against the party resisting the enforcement. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the State of Ohio. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

We may not refuse to grant a franchise or provide financial assistance, based on certain characteristics of a franchisee or the composition of the neighborhood of the prospective franchise. These characteristics include sex, race, color, religion, ancestry, national origin, disability, medical condition, genetic information, marital status, sexual orientation, citizenship, primary language, or immigration status.

We must notify you of the approval or disapproval of an application within 60 days. We are prohibited from disclaiming or denying representations made to you, or reliance by you on any representations as provided. These include, without limitation, the following:

- (a) Representations made by us or our personnel or agents to you.
- (b) Reliance by you on any representations made by us or our personnel or agents.

(c) Reliance by you on the franchise disclosure document, including any exhibit thereto.

We are prohibited from requiring you to waive any of the protections of the California Franchise Relations Act. Upon the termination or nonrenewal of your franchise, we may only offset the amount owed to you with amounts owed by you if you agree to the amount owed or if we have a judgment for that amount. We are prohibited from modifying a franchise agreement or requiring a general release in exchange for the assistance related to a declared state or federal emergency.

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CONNECTICUT ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

This Agreement is governed by Connecticut law and is supplemented, amended and modified as set forth below:

1. If Cornwell fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify Cornwell in writing and demand that the contract be cancelled.

2. The Agreement may only be terminated for good cause, meaning your failure to comply substantially with any material and reasonable obligation under the Agreement, for your voluntary abandonment of the franchise, or for other reasons such as criminal activity. If the termination is for good cause, you must be given at least sixty days' notice and an opportunity to cure. Otherwise, notice must be at least thirty days for abandonment and can be immediate for other reasons.

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DELAWARE ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Delaware law and is supplemented, amended and modified as set forth below:

1. The Franchise Agreement can only be terminated justly. Termination of a franchise by a franchisor shall be deemed to be "unjust," or to have been made "unjustly", if such termination is without good cause or in bad faith. Notice of termination must be given at least ninety (90) days in advance of the action, with at least thirty (30) days to cure any claimed deficiency.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

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IDAHO ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Idaho law and is supplemented, amended and modified as set forth below:

1. Idaho Code Section 29-110 prohibits Cornwell from requiring arbitration or litigation to be conducted outside Idaho.

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ILLINOIS ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Illinois law and is supplemented, amended and modified as set forth below:

Item 17: 815 ILCS 705/19 and 705/20 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with law, the law will control. Illinois Law will govern the Franchise Agreement.

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IOWA ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Iowa law and is supplemented, amended and modified as set forth below:

1. The Franchise Agreement can only be terminated for good cause. Notice of termination for non-monetary reasons must be given at least ninety (90) days in advance of the action, with at least ninety days (90) days to rectify any claimed deficiency that is non-monetary.

2. The law of Iowa applies to this Franchise Agreement.

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MAINE ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Maine law and is supplemented, amended and modified as set forth below:

Pursuant to Maine Statute, you have the right to avoid the contract for purchase of this business opportunity within 3 business days following the signing of the contract. You should obtain and study a copy of the law regulating the sale of business opportunities before you attempt to avoid the contract. This law is found in the Maine Revised Statutes, Title 32, Section 4698.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

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MARYLAND ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Maryland law and is supplemented, amended and modified as set forth below:

The following provisions amend and supplement what is stated in the Disclosure Document and are made a part of this Franchise Agreement and all other agreements that you enter into with Cornwell:

1. Any representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
2. Pursuant to Code of Maryland Regulations, 02.02.08.16L, any general release that Cornwell might require as a condition of renewal, sale, and/or assignment/transfer of your franchise shall not apply to any liability of Cornwell to you under the Maryland Franchise Registration and Disclosure Law.
3. You are permitted to bring a lawsuit in Maryland for any claims you may have against Cornwell arising under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought by you within 3 years after the grant of the franchise.
5. Any provision in the franchise agreement which provides for termination upon the filing of bankruptcy petition by or against you may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

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MINNESOTA ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement (the "Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Minnesota law and 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 require, 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.

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

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MISSISSIPPI ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Ohio law and is supplemented, amended and modified as set forth below:

1. Cornwell must give you notice of the cancellation, termination or failure to renew in writing at least ninety (90) days in advance of the cancellation, termination or failure to renew, except that when criminal misconduct, fraud, abandonment, bankruptcy or insolvency of the franchisee, or the giving of a no account or insufficient funds check is the basis or grounds for cancellation or termination, the ninety-day notice shall not be required.

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MISSOURI ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Ohio law and is supplemented, amended and modified as set forth below:

1. Cornwell must give you notice of the cancellation, termination or failure to renew in writing at least ninety (90) days in advance of the cancellation, termination or failure to renew, except that when criminal misconduct, fraud, abandonment, bankruptcy or insolvency of the franchisee, or the giving of a no account or insufficient funds check is the basis or grounds for cancellation or termination, the ninety-day notice shall not be required.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

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NEBRASKA ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Ohio law and is supplemented, amended and modified as set forth below:

1. Cornwell cannot terminate or cancel your franchise without having first given written notice setting forth all the reasons for such termination or cancellation at least sixty days in advance of such termination, cancellation, or failure to renew, except (1) when the alleged grounds are voluntary abandonment by you of the franchise relationship in which event the written notice may be given fifteen days in advance of such termination or cancellation; and (2) when the alleged grounds are (a) your conviction in a court of competent jurisdiction of an indictable offense directly related to the business conducted pursuant to the franchise agreement, (b) insolvency, the institution of bankruptcy or receivership proceedings, (c) default in payment of an obligation or failure to account for the proceeds of a sale of goods by you to Cornwell, (d) falsification of records or reports required by Cornwell, (e) the existence of an imminent danger to public health or safety, or (f) loss of the right to occupy the premises from which your franchise is operated, in which event such termination or cancellation may be effective immediately upon the delivery and receipt of written notice of the same. Cornwell may not terminate or cancel your franchise without good cause.

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NEW JERSEY ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Ohio law and is supplemented, amended and modified as set forth below to reflect New Jersey law:

Cornwell may not terminate or cancel your franchise without having first given written notice setting forth all the reasons for such termination, cancellation, or intent not to renew to you at least 60 days in advance of such termination or cancellation, except (1) where the alleged grounds are voluntary abandonment by you of the franchise relationship in which event the aforementioned written notice may be given 15 days in advance of such termination or cancellation; and (2) where the alleged grounds are your conviction in a court of competent jurisdiction of an indictable offense directly related to the business conducted pursuant to the franchise in which event the aforementioned termination or cancellation or failure to renew may be effective immediately upon the delivery and receipt of written notice of same at any time following the aforementioned conviction. Cornwell may not terminate or cancel your franchise without good cause. For this purpose, good cause for terminating or canceling your franchise shall be limited to your failure to substantially comply with those requirements imposed upon you by the franchise.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

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NORTH DAKOTA ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by North Dakota law and is supplemented, amended and modified as set forth below:

We add the following paragraph:

Item 17: The following provisions apply instead of those contained in the main body of the Franchise Disclosure Document:

- A. Restrictive Covenants: Any covenants restricting competition contrary to Section 9-08-06, N.D.C.C. will be subject to that statute.
- B. Situs of Arbitration Proceedings: Arbitration of disputes may not be at a location that is remote from the site of your business.
- C. Restriction on Forum: You may not be required to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: You may not be required to consent to liquidated damages or termination penalties.
- E. Applicable Laws: The Franchise Agreements are to be governed by the laws of North Dakota.
- F. Waiver of Trial by Jury: You may not be required to consent to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary & Punitive Damages: You may not be required to consent to consent to a waiver of exemplary and punitive damages.
- H. General Release: You may not be required to consent to sign a general release upon renewal of the franchise agreement.
- I. Limitation of Claims: You may not be required to consent to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

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RHODE ISLAND ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Rhode Island law and is supplemented, amended and modified as set forth below:

We add the following paragraph:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

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TENNESSEE ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Tennessee law and is supplemented, amended and modified as set forth below:

Pursuant to Tennessee Statute,

(a) Except as otherwise provided below, Cornwell may not terminate your franchise prior except for good cause asserted in good faith, by providing written notice of the facts and circumstances establishing good cause, and giving you a reasonable opportunity of at least thirty (30) days to cure the alleged failure.

(b) If Cornwell fails to provide services or products to you, which services or products are material to the operation of your franchise, on the same terms, conditions and availability as any other franchisee in this state, Cornwell shall be deemed to have terminated your franchise.

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**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND RELATED AGREEMENTS**

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Washington law and is supplemented, amended and modified as set forth below:

In the event of a conflict of laws, the provisions of the Washington Investment Protection Act, Chapter 19.100 RCW will prevail.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Nationally in ~~202223~~, ~~98-113~~ Cornwell dealerships ceased operations. The categories of reasons are stated below. ~~Three~~One dealerships ceased to operate in Washington, while ~~three~~ new dealerships began to operate. The reason ~~those three that one~~ ceased to operate was ~~that one retired and the other two were a~~ voluntary terminations (in the "Other terminations" category below). You may wish to compare this information with similar information concerning other companies that offer franchised mobile tool dealerships in Washington.

Became a District Manager - 61
Retired - ~~1718~~
Deceased - 2
Other terminations - ~~7392~~

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

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WISCONSIN ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement ("the Agreement") is made and entered into on the same date as the Agreement and provides as follows:

The Agreement is governed by Wisconsin law and is supplemented, amended and modified as set forth below:

1. Cornwell may not terminate, cancel, fail to renew or substantially change the competitive circumstances of your dealership agreement without good cause. The burden of proving good cause is on Cornwell.

2. Cornwell must provide you at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and shall provide that you have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days the notice shall be void. The notice provisions of this section shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under your dealership, you shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

EXHIBIT E

2023 ~~2023~~ 2024

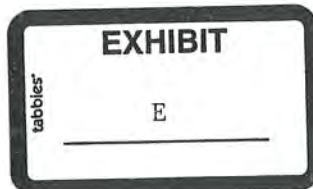


CORNWELL TECH-CREDIT FINANCE PLAN Dealer Credit Assignment Agreement

This Agreement is made this _____ day of _____, 20____, between Cornwell Tech-Credit (“Assignee”), a division of Cornwell Quality Tools Company (“Cornwell”) and [Entity Name, if applicable] _____ and [First Individual Name] _____ of [Residence street address], _____, [City] _____, [State] _____, [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (individually and/or collectively referred to as “Dealer”).

~~This Agreement is made this _____ day of _____, 20____, between Cornwell Tech-Credit (“Assignee”), a division of Cornwell Quality Tools Company (“Cornwell”) and [Entity Name, if applicable] _____ and [First Individual Name] _____ of _____ [Residence street address], _____, [City] _____, [State] _____, [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (individually and/or collectively referred to as “Dealer”).~~

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 Purchase and Security Agreement and Sales Slip ("Sales 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. Assignee reserves the right in its sole discretion and without Dealer's consent to re-assign (sell) Obligations to third parties that will collect them for their own benefit, whether or not the Obligations are then in default.
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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, Assignee, First Dealer, or Second Dealer 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.

IN WITNESS WHEREOF, the parties hereto caused this Agreement to be executed as of the date and year first written above.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

FIRST PRINCIPAL INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

FOR OFFICE USE ONLY

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

CORNWELL QUALITY TOOLS COMPANY

By: _____
CORNWELL (Tech-Credit Representative)

EXHIBIT F

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

Name Listed on Account: _____

Institution Name: _____

Transit/ABA Number*: _____

Account Number: _____

Type of Account: Checking 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.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

Date

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

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.

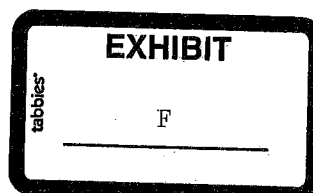


EXHIBIT G

20232024



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 (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

EXHIBIT H

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

The Cornwell Quality Tools Company ("Cornwell") agrees to provide to:

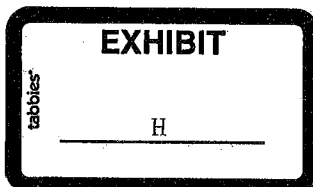
[Entity Name, if applicable] _____ and [First Individual Name] _____ of _____ [Residence street address], _____, [City] _____, [State] _____, [Zip] _____, and (if applicable) [Second Individual Name] _____, his or her spouse or person in a similar legal relationship, as individual owners of the franchised dealership if it is an entity and in all events as active partners in the operation of the franchised dealership (individually and/or collectively referred to as, "Dealer") and the Dealer agrees to acquire from Cornwell the following:

- (1) License to one 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");
- (2) One laptop computer ("Computer"), one bar code/driver's license scanner ("Scanner") and one signature pad ("Pad") (together "the Hardware");
- (3) One sublicense ("Sublicense") of other software and firmware pre-loaded into the Hardware (together, "Other Software").

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 IBN SOFTWARE; PERMITTED USE AND COPYING.

Cornwell grants a limited, nonexclusive license to the Dealer to use the IBN Software only for the operation of the Dealer's Cornwell dealership. Cornwell will provide the IBN



Software and its documentation to the Dealer upon order of the IBN Software by the Dealer. The IBN Software shall always remain exclusively the property of Cornwell.

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

2. SALE OF HARDWARE

Cornwell will sell the Hardware to the Dealer for the operation of the Dealer's Cornwell dealership. The Hardware is sold to the Dealer for business purposes only and personal use is prohibited. The Dealer shall not use any other Hardware on the Dealer's truck in connection with the dealership, except Replacement Hardware described below.

The Hardware will be sold to the Dealer at Cornwell's cost, estimated to be \$3,500.00. Cornwell will credit the Dealer's open account in the amount of \$1,500.00 as an offset against the purchase price of the Hardware. The Dealer understands that Cornwell will issue an IRS Form 1099 to the Dealer for the amount of the credit. The Dealer further understands and agrees that the Dealer must acquire a compatible DeskJet printer (LaserJet recommended) and internet connection card and service at the Dealer's own cost, as set forth in Section 6 below.

Cornwell will at any time the Dealer's Franchise Agreement is in effect replace any or all of the Hardware at the Dealer's request ("Replacement Hardware"). The Replacement Hardware will be sold to the Dealer at Cornwell's cost, but no offsetting credit will be provided unless separately agreed.

3. SUBLICENSE OF OTHER SOFTWARE; PERMITTED USE AND COPYING.

Cornwell grants a limited, nonexclusive sublicense to the Dealer to use the Other Software with the Hardware only for the operation of the Dealer's Cornwell dealership. Cornwell warrants that it has a license to the Other Software and has the right to grant this sublicense to the Other Software. The Other Software is provided to the Dealer for business purposes only and personal use is prohibited. The Dealer shall not use any other software with the Hardware. Cornwell will provide the Other Software and its documentation with the Hardware to the Dealer upon order of the IBN Software by the Dealer. The license to the Other Software shall always remain exclusively the property of Cornwell.

The Dealer may not further sublicense, assign, sell, transfer or dispose of any part of the Other Software, or any copies of the Other Software, to any person or entity. The Dealer may not reverse engineer, decompile, or disassemble the Other Software. The Dealer agrees that the Other Software will be used for 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 Other Software only for the purpose of operating the dealership and as the documentation to the Other Software permits.

As set forth below, no payment will be required to be made by the Dealer for the Other Software. All rights not expressly granted to the Dealer as to Cornwell's license in the Other Software by this License Agreement are reserved by Cornwell.

4. CHARGES AND PAYMENT TERMS.

The initial startup fee for the IBN Software is \$100.00. 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.

5. 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. Upon termination of this Agreement, the Dealer shall permit Cornwell to remove the IBN Software from the Hardware.

6. OTHER SYSTEM HARDWARE and INTERNET CONNECTIVITY.

Dealer agrees to obtain and maintain high speed Internet access via a standalone Network Access Device from a mobile wireless broadband carrier, to be able to communicate electronically with Cornwell.

Additionally, the Dealer agrees to purchase or lease a DeskJet printer compatible with the Hardware and IBN Software (LaserJet recommended) and to ensure reliable wireless connectivity to the Internet via an internal wireless card or a vendor-supplied wireless card.

It is the Dealer's responsibility to handle all equipment hardware/warranty issues other than for the Hardware and Other Software directly with the equipment vendor or manufacturer. Cornwell is not responsible for other hardware reliability or service.

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.

7. CORNWELL'S MAINTENANCE AND SUPPORT RESPONSIBILITIES.

The Dealer agrees to obtain maintenance and support for the IBN Software, Hardware and Other Software only from Cornwell.

Cornwell will make on-call support available to the Dealer twenty-four (24) hours per day, seven (7) days per week. 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. Cornwell will make a reasonable effort to respond within an industry-customary time, targeted to be two (2) hours for calls received between 8:00AM and 7:00PM E.T. Monday thru Friday or four (4) hours or less for calls received during all other time periods.

If the Dealer notifies Cornwell of a suspected error in the IBN Software, Cornwell 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 hardware other than the Hardware or if the Hardware 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 Hardware and Other Software must be restricted to the Dealer's Cornwell business-related functions. For example, the Hardware shall not be used to browse the Internet for personal use, it should not be used for gaming, and other third-party software shall not be loaded and executed on the Hardware.

If either the Hardware or the Other Software fail to perform properly, the Dealer shall promptly notify Cornwell and Cornwell will within a reasonable time take those steps that it determines in its sole discretion are appropriate, which may or may not include replacing or repairing the Hardware or Other Software. No charge will be made to the Dealer for maintenance and support related to the Hardware or Other Software, except as set forth above and elsewhere in this Agreement.

9. LIMITED WARRANTY.

a. SOFTWARE. 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 License Agreement.

Because Cornwell retains ownership of the license to the Other Software that is sublicensed by this Agreement, no warranties are extended to the Dealer by Cornwell as to the Other Software.

b. HARDWARE. Cornwell will extend the Hardware manufacturers' warranties to the Dealer. In addition, Cornwell will warrant for three (3) years of date of delivery of the Hardware that the Hardware will be fit for its intended purposes in the operation of the Dealer's Cornwell dealership. Cornwell may repair or replace unfit Hardware in its sole discretion, at no cost to the Dealer. Cornwell agrees to provide the Dealer temporary replacement Hardware (with IBN Software and Other Software) by overnight delivery while the Dealer's Hardware is in Cornwell's possession on a warranty claim.

This warranty shall not be effective if the Hardware is rendered unfit by damage occurring to it that is not the fault of Cornwell. The Dealer must obtain any desired insurance coverage for such damage to the Hardware. Service, repair and replacement of such damaged Hardware will be provided by Cornwell at the Dealer's cost.

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 ANY OTHER PARTICULAR PURPOSE THAN THE ONE SET FORTH AS TO THE HARDWARE IN THIS AGREEMENT.

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 LICENSE AGREEMENT, WHETHER IN CONTRACT OR IN TORT.

CORNWELL MAKES NO WARRANTIES WHATSOEVER AS TO THE OTHER SOFTWARE AND THE DEALER TAKES THE SUBLICENSE TO THE OTHER SOFTWARE AS-IS.

10. 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.

11. DEFAULT; TERMINATION.

Either party will have the right to terminate this License Agreement upon the same terms that the Franchise Agreement may be terminated. This License Agreement will also terminate immediately and automatically upon the termination of the Franchise Agreement. In addition, this License Agreement and the licenses and sublicense granted by it 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 License 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 License Agreement, unless expressly so stated in writing.

In the event of termination of the License Agreement, the Dealer will immediately cease using the IBN Software and the Other Software and will immediately return to Cornwell all copies of the IBN Software and the Other Software and documentation related to them

in the Dealer's possession or under the Dealer's control. No refund of any fees paid by the Dealer pursuant to this License Agreement will be owed by Cornwell to the Dealer in the event of the termination of this License Agreement.

Cornwell reserves the right to all legal and equitable remedies if the IBN Software or Other Software are not returned, including but not limited to damages, injunctions and replevin. The Dealer shall pay all of Cornwell's costs and expenses, including but not limited to attorney fees and expert expenses, if Cornwell must pursue such remedies.

12. MISCELLANEOUS.

This License 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 License Agreement and will not be construed to have any effect on the remaining provisions.

13. 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, or replevin to obtain possession of any property.

14. NOTICE.

Any notice required to be given under this License 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 First Dealer and Second Dealer, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, First Dealer, or Second Dealer 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 License 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.

15. ENTIRE AGREEMENT; AMENDMENTS.

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

IN RECOGNITION OF WHICH and intending to be legally bound, Cornwell and the person or persons identified as Dealer above have signed duplicate copies of this Agreement on the dates stated below at Wadsworth, Ohio and _____.

NAME OF BUSINESS ENTITY (ONLY COMPLETE FOR CORPORATION, PARTNERSHIP, LLC, LLP)

FIRST INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT FIRST INDIVIDUAL DEALER NAME

SECOND INDIVIDUAL DEALER SIGNATURE, FOR SELF AND ENTITY (IF APPLICABLE)

PRINT SECOND INDIVIDUAL DEALER NAME

FOR OFFICE USE ONLY

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

CORNWELL QUALITY TOOLS COMPANY

By:

CORNWELL (Corporate Officer)

LIST OF EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

Except as indicated below, the Effective Date of this Disclosure Document in your state is ~~April 3, 2023~~ 1, 2024.

California	January 1, 20 23 <u>24</u>
Hawaii	N/A
Illinois	April 3, 2023 <u>April 1, 2024</u>
Indiana	April 3, 2023 <u>April 1, 2024</u>
Maryland	January 1 <u>29</u> , 20 23 <u>24</u>
Michigan	April 3, 2023 <u>April 1, 2024</u>
Minnesota	April 19, 2023 <u>Pending</u>
New York	April 3, 2023 <u>April 1, 2024</u>
North Dakota	April 3, 2023 <u>April 1, 2024</u>
Rhode Island	May 6, 2023 <u>Pending</u>
South Dakota	April 3, 2023 <u>April 1, 2024</u>
Virginia	April 4, 2023 <u>Pending</u>
Washington	April 25, 2023 <u>Pending</u>
Wisconsin	April 3, 2023 <u>April 1, 2024</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I

EXHIBIT J
RECEIPT

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

If Cornwell offers you a franchise, Cornwell must provide this Franchise Disclosure Document to you by the earliest of the time required by your state as set forth in Exhibit D, referenced in Item 22 of the Franchise Disclosure Document or:

1. The first personal meeting to discuss our franchise; or
2. Ten (10) business days before the signing of a binding agreement; or
3. Ten (10) business days before a payment to Cornwell.

You must also receive a Franchise Agreement containing all material terms at least five (5) business days before you sign a Franchise Agreement.

If Cornwell does not deliver this Franchise 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 state agency listed for your state in Exhibit D of the Franchise Disclosure Document, if applicable.

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 3, 2023~~ April 1, 2024

I have received a Disclosure Document dated _____, 20234, that included the following Exhibits:

- A. FINANCIAL STATEMENTS
- B. DEALER FRANCHISE AGREEMENT
- B-1. ADDENDUM TO DEALER FRANCHISE AGREEMENT (SECOND FRANCHISE, IF APPLICABLE)
- ~~B-2. ADDENDUM TO DEALER FRANCHISE AGREEMENT (SECOND TRUCK, IF APPLICABLE)~~
- B-3. FRANCHISE DEVELOPER DEALER FRANCHISE AGREEMENT (IF APPLICABLE)
- B-4. SPECIAL REPRESENTATIVE DEALER FRANCHISE AGREEMENT (IF APPLICABLE)
- C. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT
- C-1. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT (VETERANS INCENTIVE PROGRAM)(IF APPLICABLE)
- C-2. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT – FRANCHISE DEVELOPER (IF APPLICABLE)
- C-3. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT – SPECIAL REPRESENTATIVE (IF APPLICABLE)
- D. APPENDIX WITH STATE-SPECIFIC INFORMATION
- E. TECH-CREDIT DEALER CREDIT ASSIGNMENT AGREEMENT
- F. ACH AGREEMENT – AUTHORIZATION AGREEMENT FOR AUTOMATIC PAYMENT
- G. DCA AUTHORIZATION- DEALER CREDIT ACCOUNT PROGRAM AUTHORIZATION
- H. IRONMAN BUSINESS NETWORK (IBN)-END USER LICENSE AGREEMENT
- I. ~~ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND DEALER FRANCHISE AGREEMENT RE: TRAINING DURING PANDEMIC RESTRICTIONS~~
- J. RECEIPT

Dealership name if an entity: _____

Dated: _____
(Do not leave blank)

Owner Operator name: _____
(Please print)

Owner Operator signature: _____

Dated: _____
(Do not leave blank)

Other Owner name: _____
(Please print)

Other Owner signature: _____

Exhibit JJ 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
RECEIPT

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

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2. Ten (10) business days before the signing of a binding agreement; or
3. Ten (10) business days before a payment to Cornwell.

You must also receive a Franchise Agreement containing all material terms at least five (5) business days before you sign a Franchise Agreement.

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330-336-3506 and Cornwell's district manager _____
(Print District Manager's Name)

(Print District Manager's Address and Phone Number)

Issuance date: ~~April 3, 2023~~ April 1, 2024

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- ~~B-32.~~ FRANCHISE DEVELOPER DEALER FRANCHISE AGREEMENT (IF APPLICABLE)
- ~~B-43.~~ SPECIAL REPRESENTATIVE DEALER FRANCHISE AGREEMENT (IF APPLICABLE)
- C. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT
- C-1. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT (VETERANS INCENTIVE PROGRAM)(IF APPLICABLE)
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- H. IRONMAN BUSINESS NETWORK (IBN)-END USER LICENSE AGREEMENT
- ~~I. ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND DEALER FRANCHISE AGREEMENT RE: TRAINING DURING PANDEMIC RESTRICTIONS~~
- ~~J. RECEIPT~~

Dealership name if an entity: _____

Dated: _____
(Do not leave blank)

Owner Operator name: _____
(Please print)

Owner Operator signature: _____

Dated: _____
(Do not leave blank)

Other Owner name: _____
(Please print)

Other Owner signature: _____

Exhibit JJ 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.