

Department of Corporations

APR 26 2013

San Diego Office

FRANCHISE DISCLOSURE DOCUMENT
(CALIFORNIA)



Cornwell Quality Tools Company
667 Seville Road
Wadsworth, Ohio 44281
(330) 336-3506
www.cornwelltools.com

The franchisee ("you") will purchase, resell from a "rolling tool store", and service the products, which are manufactured, sold and/or distributed by Cornwell Quality Tools Company ("Cornwell")

You will be assigned a specific, but *non-exclusive* geographic territory, which is agreed upon by the dealer and Cornwell. You will purchase products from Cornwell and resell them to individual mechanics and businesses throughout the assigned geographic area.

As your initial franchise fee, you must purchase an initial inventory of Cornwell products of at least \$35,000 at regular dealer net prices when entering into a Dealer Franchise Agreement. If you are converting an existing tool business ("convertees") and already have a suitable inventory and an approved vehicle, you must purchase an initial inventory of \$10,000 from Cornwell, at regular dealer net prices. You will be required to purchase an initial inventory of Cornwell products, and to maintain a certain level of purchases from Cornwell thereafter. However, you may also purchase products from other suppliers than Cornwell and may sell other than in the assigned geographic territory.

1 The total investment necessary to begin operation of a Cornwell franchised dealership ranges from \$61,795 to \$217,750 for convertees and \$86,795 to \$217,750 for new dealers. This includes \$35,000 that must be paid to the franchisor (Cornwell) or an affiliate by a new dealer, or \$10,000 by a convertee. Refer to items 5 through 7 inclusive of this Disclosure Document for a further explanation regarding the total investment.

2 This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor (Cornwell) or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchising Department of Cornwell Quality Tools Company at 667 Seville Road, Wadsworth, Ohio 44281 and 330-336-3506.

3 The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

4 Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D C 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

5 There may also be laws on franchising in your state. Ask your state agencies about them.

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Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in Exhibit K for information about the franchisor (Cornwell), or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN AN AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following **RISK FACTORS** before you buy this franchise.

1. **THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY ARBITRATION IN OHIO. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN OHIO THAN IN YOUR HOME STATE.**
2. **THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT AND THAT THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
3. **BEGINNING 6 MONTHS AFTER THE FRANCHISE DEALER AGREEMENT IS SIGNED, YOU MUST MAINTAIN AVERAGE WEEKLY PURCHASES FROM CORNWELL EQUAL TO AT LEAST 80% OF THE NATIONAL AVERAGE OF CORNWELL FRANCHISE DEALERS' WEEKLY PURCHASES DURING THE CURRENT CALENDAR YEAR. AS OF DECEMBER 31, 2012, THE AVERAGE WEEKLY PURCHASES WERE \$3,428 FOR FRANCHISE DEALERS. THE CONTINUATION OF THE FRANCHISE DEPENDS UPON CONTINUING REQUIRED PURCHASES OF CORNWELL PRODUCTS. A FRANCHISE MAY BE TERMINATED OR THE TERRITORY DECREASED IF THE PURCHASE REQUIREMENTS ARE NOT MET.**
4. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

The effective date of this Disclosure Document is

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