

FRANCHISE DISCLOSURE DOCUMENT



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

The franchise offered in the following disclosure is a mobile tool dealership for which Cornwell Quality Tools Company ("Cornwell") will grant a license to purchase, resell, and service the products that are manufactured, sold and/or distributed by Cornwell.

The franchised dealership ("the Dealership") will be assigned a specific, but *non-exclusive* geographic territory ("the Territory"), which is agreed upon with Cornwell by the Dealership and its owner or owners (together, if applicable, "the Owners"). The Dealership will purchase products from Cornwell and resell them to individual mechanics and businesses throughout the assigned geographic area. The individual Owner who is primarily responsible for the operation of the Dealership ("the Operator") must devote his or her best, full-time efforts to the sale of Cornwell products in the Territory.

If the Dealership is new, it must purchase an initial inventory of Cornwell products in the amount of at least \$40,000 at regular dealer net prices. If the Dealership is converting an existing tool business ("Converttee") and already has a suitable inventory and an approved vehicle, it must purchase an initial inventory in the amount of at least \$25,000 from Cornwell, at regular dealer net prices. Cornwell charges no initial franchise fee or royalty fee. After the purchase of the initial inventory of Cornwell products, the Dealership will be required to maintain a certain level of purchases from Cornwell thereafter. However, the Dealership 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 \$59,525 to \$272,825 for converttees and \$114,525 to \$272,825 for new dealers. This includes \$40,000 for initial inventory that must be paid to the franchisor (Cornwell) or an affiliate by a new dealership, or at least \$25,000 by a converttee. 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 the agency listed for your state on Exhibit D 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. The agency for your state is listed on Exhibit D, if applicable.

Issued on: April 2, 2019.

The Effective Date for this disclosure document in your state is listed on Exhibit D.

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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 D 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 ONLY 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 90% OF THE NATIONAL AVERAGE OF CORNWELL FRANCHISE DEALERS' WEEKLY PURCHASES DURING THE CURRENT CALENDAR YEAR. AS OF DECEMBER 31, 2018, THE AVERAGE WEEKLY PURCHASES WERE \$4,986 FOR FRANCHISED 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 issuance date of this Disclosure Document is: April 2, 2019.

The Effective Date for this Disclosure Document in your state is listed in Exhibit D.

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