

Franke Luxury Products
MINIMUM ADVERTISED PRICE POLICY

EFFECTIVE January 1, 2016

This policy applies to all Franke luxury branded products sold by Franke Consumer Products, Inc. (hereinafter “Franke” or the “Company”), including KWC, and Franke Luxury products as delineated in the published Franke catalog(the “Covered Products”). Only Kindred and “do it yourself” products are excluded.

Franke recognizes that its success is tied to the success of its network of authorized resellers and the active promotion of the Franke premium brand. We also know that many of our direct customers, and the resellers they sell to (together and individually “Distributors”) invest significant time and resources to deliver an extraordinary customer experience. We want to protect their ability to do so, while at the same time discouraging price-based advertising that would be detrimental to our Distributors' sales, service and support efforts. Such valuable services include but are not limited to educating end-users, customers, designers, contractors and other professionals on the product performance, features and benefits of Franke’s products, maintaining an adequate inventory to ensure timely excellent service to the customer; and having superior service and high quality tangible product presentation and demonstration to promote Franke in the market. Franke’s image and the investments that the Company and its Distributors make in the introduction and marketing of the Covered Products are not furthered by Internet-only and other Distributors that lack the capability to provide such services and fail to comply with this Policy.

Franke implemented and adopted this Minimum Advertised Price (“MAP”) Policy (the “Policy”) to support Distributors in achieving Franke’s goals of protecting its image and reputation, promoting its brand and providing excellent service. Further, to ensure the effectiveness of this Policy, Franke has also retained a third party to identify all violations.

Accordingly, Franke has unilaterally determined that it will sell Covered Products only to those Distributors that:

1. Properly represent and promote the quality image and superior goodwill associated with the Covered Products on the Internet and from your physical locations.
2. Do not sell or market the Covered Products in any way that disparages or injures Franke or its products or the products or services of any other company.
3. Do not engage in any form of advertising or advertising practices that violate any federal, state or local laws or ordinances, including without limitation “bait and switch” or other form of deceptive advertising.
4. Clearly identify the specific model being advertised (e.g., Franke ORCA®).

5. Do not use the Internet (including, but not limited to, business-to-consumer and other websites, auction sites, electronic bulletin boards, browsers, portals, and on-line services and service providers) to advertise the Covered Products to the general public (such advertising, "Internet Advertising") at a "Net Adjusted Price" (defined below) that is more than **thirty percent (30%)** below the list price set forth in the effective Franke Price Book (such discounted prices referred to herein as the "MAP"). The requirements set out in this Section 5 apply to all publicly accessible levels/pages on a website. This includes any price published on the Internet, including but not limited to prices displayed through links, pop-ups and other method of publication, even through another website. For example, Distributor may not include statements such as "click here for best price" or "click here to see pricing."

As used in this Policy, the term "Net Adjusted Price" means the lower of the advertised price at which a Covered Product is offered by or on behalf of a Distributor to a customer (potential or actual) after (i) applying all discounts, rebates, allowances, coupons, and similar price reductions advertised in connection with the Covered Product, (ii) excluding certain taxes and shipment charges paid by the customer, and (iii) giving effect to the value of free or reduced-price bundles advertised in connection with the Covered Product.

6. Do not offer, advertise or provide one or more of the Covered Products on any Internet auction site or sell one or more of the Covered Products to any person or entity, which Distributor knows or should reasonably know might offer or sell the Covered Products on an Internet auction site. The only exception to these Section 6 Internet Auction prohibitions applies when a Covered Product is offered using a "buy it now," or comparable established price instant purchase at an advertised price at or above MAP.
7. Do not bundle, package or advertise the Covered Products for sale together with discounted non-Covered Products and do not bundle, package or advertise multiple Covered Products at an advertised total price lower than the aggregated MAP for the Covered Products included within the bundle.
8. Comply with requirements set forth under the heading "DO NOT SELL LIST" (explained below) in this Policy in cases where a Distributor is selling the products to another Distributor.

THIS POLICY ADDRESSES ONLY ISSUES SURROUNDING THE ADVERTISEMENT OF PRICES ON THE INTERNET AND IN PRINT. ALTHOUGH FRANKE SUGGESTS RESALE PRICES, THIS POLICY DOES NOT REGULATE ACTUAL SELLING PRICES.

This Policy supersedes any similar policies that were in effect prior to its effective date. Franke, at any time, may vary the MAP for a Covered Product or add to or delete any or all of the Covered Products. This Policy may be modified, extended, suspended, discontinued, or rescinded, in whole or in part, by written notice from Franke at any time. Any such notice will describe the nature of any such modification, extension, suspension, discontinuation, or rescission of the Policy. Because this is a unilateral Policy, if there is any disagreement over the interpretation, application or enforcement of the Policy, Franke's interpretation or decision will control.

Franke will endeavor to provide prior notice of each new MAP or change in the Covered Products. Although Franke will communicate each MAP, each Distributor is responsible for making sure that it is aware of the appropriate MAP and the Covered Products in each circumstance.

The Policy is a unilateral statement of Franke's preferences concerning the type of Distributor through which Franke chooses to distribute the Covered Products. It is not the intent or purpose of this Policy to restrict, coerce, force, or reach agreement with a retailer to charge a particular price for any products, including, without limitation, the Covered Products. The Policy is not a contract or an offer to form a contract, agreement or any other form of mutual understanding and Franke will not engage in any sort of negotiation with a reseller related to the matters addressed by this Policy. Rather, the Policy describes the terms under which Franke may, in its sole discretion, choose to sell the Covered Products. Franke does not ask for, has not asked for and will not accept any agreement to comply with the Policy. To the extent, however, any person or authority seeks to misconstrue this Policy as some sort of "agreement," it shall be interpreted in accordance with the laws of the State of Delaware.

Violations of this Policy

Although each Distributor remains free to establish its own resale prices, Franke, without assuming any liability, will take one or more of the following actions immediately following verification by Franke to its satisfaction that such Distributor has violated this Policy by advertising one or more of the Covered Products at a Net Adjusted Price less than MAP:

For the first violation: Distributor shall receive notification by letter of the violation and explaining the consequences of continuing violations.

For the second violation: Effective as of the date specified in the second notice from Franke to such Distributor and for the six (6) month period thereafter, Franke will: (i) on any and all Purchase Orders placed by Distributor with Franke, revoke the Local Market Support component of the Distributor's previous Purchase Discount (which is 10% of that discount); (ii) suspend such Distributor's eligibility for Franke marketing funds and other promotional benefits that such Distributor otherwise would or could receive during such period; (iii) suspend any and all free freight allowances; and (iv) remove such Distributor from the Company's website dealer locator during such period.

For the third violation: Effective as of the date specified in the third notice from Franke to such Distributor and continuing until Franke provides notice to such Distributor otherwise, the authorization of such Distributor to purchase and/or sell any or all of the Franke products is immediately revoked by Franke, so that all pending orders (even if accepted) will be cancelled and no new orders will be accepted from such Distributor for any or all of such products. Additionally, each such Distributor will be added to Franke's "Do-Not-Sell-List" (explained below).

Each violation of this Policy is cumulative. The consequences of the violations are additive and take effect regardless of whether the consequences of the preceding violations are still in effect. If a Distributor continues to violate the Policy (as determined by Franke) after receiving notice thereof from Franke, Franke will treat such violation as a subsequent violation, so that the same act(s) or failure(s) to act may result in multiple violations, including the complete cessation of any supply relationship with Franke.

Do-Not-Sell List

Franke reserves the exclusive right to sell or not to sell to Distributors. Distributors are included on the Company's Do-Not-Sell List, solely at Franke's discretion, when they violate this Policy. Franke will establish, maintain and enforce a Do-Not-Sell List comprised of Distributors to which you may not sell Covered Products. Any sale of the Covered Products to a Distributor on the Do-Not-Sell List constitutes a violation of the Policy. The Do-Not-Sell List will be made available on Franke's webshop and distributed via email at regular intervals

Immediately upon receipt of a notice by a Distributor or posting by Franke of each Do-Not-Sell List (whichever occurs first), Franke will treat any sales (including pending orders) to any entity on the Do-Not-Sell List as a violation of this Policy and the consequences of the first and second Do-Not-Sell List violations correspond to the consequences for Internet Advertising violations.

Use of Trademarks or Copyrighted Materials by Direct Customers

One of the reasons for implementation of this Policy is protection of Franke's image and the value of its trademarks and copyrighted materials (collectively, the "IP"). Advertisements below Franke's MAP will likely result in diminishing, diluting or weakening the value of such IP. Accordingly, any Distributor which has received notification of a third violation of this Policy shall not be authorized to sell or advertise the Covered Products and be restricted from using the IP and any materials derived from such IP of Franke.

Notification of restriction shall come via a Cease and Desist letter. In conjunction, Franke shall let it be known that the selling of Franke products during the period in which the Distributor is restricted from using Franke IP shall void any and all Franke product warranties for such products.

Use of Trademarks or Copyrighted Materials by Customers of Distributors

With respect to any customer of a Distributor that advertises or otherwise promotes Franke products at a Net Adjusted Price below MAP, Franke shall take all steps necessary to prevent that customer's unauthorized use of any Franke's IP.

Communications

Franke representatives and employees are strictly prohibited from discussing the Policy with any account. Franke representatives and employees also are strictly prohibited from seeking or accepting any assurances of any account's compliance with the Policy. All inquiries regarding the Policy should be directed in writing to:

Franke Kitchen Systems
800 Aviation Parkway
Smyrna, TN 37167

Attn: Minimum Advertised Price Policy Administrator
e-mail: ks-mapadmin.us@franke.com

No representative of Franke has the authority to speak to or to modify the terms and conditions of this Policy. This Policy may only be modified in writing and the only authorized communication regarding the Policy will be through the above-referenced email address.

Franke does not and will not discuss the business dealings of any Distributor with any other Distributor. Franke has retained a third-party to identify all violations of this Policy, does not seek and will not accept any complaints or comments about the advertising or pricing policies of any other Distributor. Franke reserves the right to change or discontinue the Policy at any time, and no account has the right to rely on the continued existence of the Policy or Franke's enforcement of the Policy. Franke reserves the right to choose any Distributors with which it will do business and reserves the right to accept or reject any purchase order from any account at any time.

Franke may, at its discretion, provide a "Frequently Asked Questions" reference (FAQ) to this Policy to Distributors.