



CHANNELLOCK, INC.
1306 South Main Street | Meadville, PA 16335

BRAND PROTECTION POLICIES FOR CHANNEL PARTNERS

THE MINIMUM RESALE PRICE POLICY + THE ADVERTISING AND MARKETING POLICY

EFFECTIVE AS OF OCTOBER 1, 2019

Channellock Inc. (“**Channellock**”) has unilaterally adopted these Brand Protection Policies for Channel Partners (these “**Policies**”) effective as of October 1, 2019 (the “**Policy Effective Date**”), which: (a) are applicable to each Channel Partner and (b) consist of two primary parts: (i) a policy regarding minimum resale price (the “**Minimum Resale Price Policy**” or the “**MRP Policy**”), which establishes a price below which specified Channellock Products may not be offered or sold and (ii) a policy dealing with advertising and marketing (the “**Advertising and Marketing Policy**” or the “**A&M Policy**”), which addresses how Channellock Products may be marketed. The Minimum Resale Price Policy applies to certain Channellock Products, while the Advertising and Marketing Policy, unless otherwise noted, applies to all Channellock Products.

1. Certain Definitions. For purposes of these Policies, (a) “**Channel Partner**” (in the plural, “**Channel Partners**”) means an individual or entity located in either or both of the United States of America (“**USA**”) and Canada that (i) promotes and sells one or more products offered by Channellock regardless of brand (collectively, “**Channellock Products**”) to any or all actual or potential end user purchasers (collectively, “**end users**” and individually, an “**end user**”), whether doing so directly or through another party that does such things as advertise or fulfill orders on behalf of such individual or entity) or (ii) is a Distributor, but only to the extent, if any, that such Distributor performs as a Channel Partner; (b) the “**Distributors**” (“**Distributor**” in the singular) means, collectively, each individual or entity designated as such by Channellock Notice (unless and until such notice is provided by Channellock, each individual and entity otherwise permitted by Channellock to sell to one or more Channel Partners will be considered a Distributor; and (c) “**Channellock Notice**” means notice from Channellock to a Channel Partner provided or made available electronically or otherwise, such as, but not limited to, posting on one or more websites designated by Channellock.

2. Purpose. The products sold by Channellock are of high quality with a premium image for excellence and innovation worldwide earned through extensive product and market development activities and superior service. Some Channel Partners have taken or may take advantage of this situation by advertising or selling Channellock Products as loss leaders, promoting or applying unfair discounts or misusing intellectual property of Channellock or references to Channellock or its products. In an effort to help safeguard the reputation of Channellock, insure the long-term viability of each of its brands and protect the investment of those Channel Partners that provide valuable services to end users, Channellock has adopted these Policies.

3. The Minimum Resale Price Policy.

(a) The Covered Products. The MRP Policy establishes a minimum resale price (“**MRP**” and referring to either the singular or the plural or both, “**MRP(s)**”) for each of the Channellock Products as specified by Channellock Notice (individually, a “**Covered Product**” and collectively, the “**Covered Products**”), including without limitation on the price list(s) or product list(s) provided or otherwise made available by Channellock Notice (individually and collectively, “**Covered Products List**”).

(b) Application. Each form of marketing using or containing Price Information regarding one or more of the Covered Products used by or on behalf of a Channel Partner is subject to the MRP Policy. **When applied to websites, Price Information found outside the cart (or other container), in the cart (or other container) and at checkout is subject to the MRP Policy.** In addition, the MRP for a Covered Product may vary depending upon where the Price Information appears to which it applies. For purposes of these Policies, “**Price Information**” means information regarding price, whether express or implied, such as a discrete price, price formula, reference to price or anything related to price (e.g., representations or inferences regarding savings, discount(s) or value) and the equivalent as determined by Channellock (the “**substantive equivalent**”).

(c) Changes Relevant to the MRP Policy. Channellock, at any time, may vary any or all of the MRP(s) for a Covered Product or add to or delete any or all of the Covered Products, which may, among other things, be based on whether such product(s) is or are offered or sold under or subject to one or more select Channellock program(s) or any other Channellock policy or in any other situation announced by Channellock from time to time. Channellock will endeavor to provide prior notice of each new MRP or such change in the Covered Products, generally not less than five (5) days in advance. While Channellock will communicate each MRP and such change by Channellock Notice (including without limitation through the Covered Products List), each Channel Partner is responsible for making sure that it is aware of each appropriate Covered Product and MRP in each circumstance.

(d) Violations of the MRP Policy. Although each Channel Partner remains free to establish its own resale prices, such Channel Partner violates the MRP Policy by (i) making available in any way (whether through advertising, promotion, proposal or otherwise and regardless of place or medium used) (individually and collectively, “**offering**” and its variants), achieving one or more sales (whether doing so face-to-face, in-store, online, through a catalog or in any other manner) or otherwise providing any or all of the Covered Products at a Net Adjusted Price less than the corresponding MRP(s) established by Channellock from time to time and communicated by Channellock Notice or (ii), as provided in the MRP Policy, being deemed to have violated it. The MRP(s) for offers and sales made to end users located in the USA are in USA dollars, while those made to end users in Canada are in Canadian dollars.

(e) Other Definitions. For purposes of these Policies: (i) “**Net Adjusted Price**” means the price at which a Covered Product is offered by or for the benefit of a Channel Partner to an end user or that actually paid to or for the benefit of a Channel Partner for a Covered Product by an end user after (A) applying all discounts and similar price reductions, (B) excluding certain taxes and shipment charges and (C) giving effect to the value of each Bundle and (ii) “**Bundle**” means a combination of one or more Channellock Products with one or more other products or services offered or sold together (as determined by Channellock).

(f) Calculation of Net Adjusted Price. Except as otherwise provided in the MRP Policy, Net Adjusted Price for each Channel Partner will be calculated by:

(i) **Including Discounts:** Taking into account all discounts, deductions, rebates, allowances and the substantive equivalent offered or provided to an end user (regardless of source, whether given or taken at the time of offer, sale or otherwise and considered by Channellock to be part of such offer or sale), **except for the following:**

(A) **Rebates/Coupons from Channellock:** Each offer or sale referring to or applying a rebate, coupon or the substantive equivalent will not be considered part of Net Adjusted Price if such rebate, coupon or equivalent is provided by Channellock or its designee(s): (1) directly to such end user or (2) to such Channel Partner for provision to and use by such end user;

(B) **Gift Cards/Store Credit:** Each offer or sale referring to or applying one or more Gift Cards, as long as such use is in a transaction separate from the purchase or award of such card(s) (However, any or all Gift Cards offered or furnished with the purchase of one or more of the Covered Products will be considered a discount, except as otherwise provided in the MRP Policy.) (For purposes of these Policies, **“Gift Cards”** means prepaid store value money cards, other forms of store credit or the substantive equivalent typically issued by a Channel Partner or a bank and used as an alternative to cash for purchases); and

(C) **Free/Reduced-Price Shipping:** Free or reduced-price shipping may be offered or furnished by such Channel Partner without it being considered to be a discount when offered or furnished in connection with a potential or actual purchase that includes at least one of the Covered Products, provided that, as determined by Channellock: (1) such offer applies to all other products in each category in which each such Covered Product resides and (2) the value thereof is reasonable;

(ii) **Excluding Taxes/Certain Charges:** Excluding, if to be paid or paid by such end user, all applicable taxes and all shipping, delivery and insurance charges (However, if such Channel Partner offers to pay or pays any or all of such taxes and such charges that otherwise would be paid by such end user, the amount so offered or paid by such Channel Partner will be considered a discount, except as otherwise provided in the MRP Policy.);

(iii) **Subtracting Value of Free Goods and Services.** Subtracting, in the case of free goods, services and similar benefits for such end user offered or provided by such Channel Partner as part of a Bundle, the fair market value (as determined by Channellock) of all such goods, services and benefits (regardless of source, whether given or taken at the time of offer, sale or otherwise and considered by Channellock to be part of such offer or sale); and

(iv) **Subtracting Reduced-Price Value.** Subtracting, in the case of reduced-price goods and services and similar benefits for such end user offered or provided by such Channel Partner as part of a Bundle, the difference between: (A) the fair market value (as determined by Channellock) of all such goods, services and benefits (regardless of source, whether given or taken at the time of offer, sale or otherwise and considered by Channellock to be part of such offer or sale) and (B) the amount to be paid or paid for such goods, services and benefits.

(g) Fair Market Value/Groupings. The fair market value for each Covered Product offered or provided for free or at a reduced price with the purchase of another Covered Product will be its MRP. From time to time, Channellock may communicate by Channellock Notice what it considers to be the fair market value for particular goods or services. Unless otherwise directed by Channellock, each time the same Covered Product is offered or sold by a Channel Partner in pairs or other groupings, the offer or selling price must be no less than the applicable MRP multiplied by the number of units in such offer or sale.

(h) The MRP Policy Exemptions. A Channel Partner does not violate the MRP Policy by offering or selling one or more Covered Products at a Net Adjusted Price that is less than the applicable MRP(s) if such offer or sale is made in accordance with one or more of the following exemptions (collectively, the **“MRP Policy Exemptions”**) and otherwise complies with these Policies:

(i) **Returns:** In the case of returns of any or all items of the Covered Products permitted by Channellock, each offer or sale thereof to Channellock or to any or all of the Distributors;

(ii) **Special Programs:** The offer or sale under one or more special programs (if any) designated by Channellock, as long as such Channel Partner complies with the terms and conditions of such program(s) specified or otherwise expressly approved by Channellock Notice in advance;

(iii) **Multi-Item Discount:** The offer or sale of one or more of the Covered Products subject to a discount that is triggered by reaching certain quantity or dollar levels in the cart (or other container) for a single proposed or actual purchase (a **“Multi-Item Discount”**), as long as: (A) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for such discount (collectively, the **“MID-Eligible Products”**); (B) such Channel Partner complies with the terms and conditions of such approval; and (C), regardless whether consisting of one or more of the MID Eligible Products or one or more of the MID-Eligible Products combined with that or those of any other supplier(s), the amount of such discount when pro-rated among the products in such cart (or other container) based on their relative dollar value takes the Net Adjusted Price for each of the MID Eligible Products offered or sold to no less than ninety-five percent (95%) of its then-current MRP, unless Channellock has expressly approved in advance a larger deviation;

(iv) **Storewide, Site-wide or Category-wide Promotions:** A storewide, site-wide or category-wide promotion involving a coupon, discount, credit, rebate or the substantive equivalent (a **“Financial Incentive”**) that would, after its application, result in offer or sales price(s) for any or all of the Covered Products below its or their respective MRP(s), as long as: (A) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for such promotion (collectively, the **“Promotion-Eligible Products”**); (B) such Channel Partner complies with the terms and conditions of such approval; (C) such Financial Incentive may be applied to all or almost all of the products offered by such Channel Partner or, in the case of a category-wide sale (such as hand tools), no fewer than two (2) brands in the category other than that or those of Channellock; and (D) such application takes the Net Adjusted Price for each of the Promotion Eligible Products to no less than the MRP supplied by Channellock specifically for such promotion;

(v) **Card Benefit:** A card benefit consisting of a Financial Incentive associated with the use of a designated credit or debit card (a **“Card Benefit”**) that would, after its application, result in offer or sale price(s) for any or all of the Covered Products below its or their respective MRP(s), as long as (A) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for such promotion; (B) such Channel Partner complies with the terms and conditions of such approval; (C) such Card Benefit may be applied to all or almost all of the products

offered by such Channel Partner; and (D), unless expressly approved or directed in advance by Channellock Notice, nothing promoting such Card Benefit mentions, uses, depicts or otherwise refers to or appears adjacent to or near any or all of (1) the Covered Products and (2) the Channellock Intellectual Property (for purposes of these Policies, [a] the **“Channellock Intellectual Property”** means any and all trademarks, trade names, service marks, trade dress, copyrights, logotypes, Domains, images, artwork, designs, copy, data, data bases, marketing information, trade secrets, confidential information and anything else in which Channellock or its designee(s) claim(s) rights, regardless whether steps have been taken to register such rights with any government authority or private registrar and [b] **“Domains”** means domain names, subdomains, Uniform Resource Locators (URLs) or the substantive equivalent);

(vi) **Loyalty Points:** The accrual of “points” or other things of value (**“Loyalty Points”**) in connection with the purchase or receipt of any or all products and services from such Channel Partner and the subsequent application of Loyalty Points (but only in one or more transactions other than the one(s) in which they were earned), even if such application results in offer or sale price(s) for any or all of the Covered Products below its or their respective MRP(s), as long as: (A) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for Loyalty Points (collectively, the **“Loyalty-Eligible Products”**); (B) such Channel Partner complies with the terms and conditions of such approval; (C) Loyalty Points may be accrued and applied to all or almost all of the products and services offered by such Channel Partner, (D), unless expressly approved or directed in advance by Channellock Notice, the everyday accumulation rate for Loyalty Points applicable to the purchase of any or all of the Loyalty-Eligible Products is no more than that applicable to all or almost all other brands of products offered by such Channel Partner (as determined by Channellock regardless of category); and (E), unless expressly approved or directed in advance by Channellock Notice, nothing promoting Loyalty Points mentions, uses, depicts or otherwise refers to or appears adjacent to or near any or all of (1) the Covered Products and (2) the Channellock Intellectual Property;

(vii) **Military Exchanges:** The offer or sale of any or all of the Covered Products below its or their MRP(s); provided that, such offer or sale: (A) is made by a Channel Partner that is or is a part of the Army & Air Force Exchange Service (AAFES), one of the other U.S. military or veterans’ exchanges (*i.e.*, that operated by the Navy (NEX), Marine Corps (MCX), Coast Guard (CGX) or Veterans Canteen Service (VCS)) or the Canadian Forces Exchange System (CANEX); (B) is made only to end users eligible to shop at such exchange(s); and (C) is at a Net Adjusted Price that is no less than seventy (70%) of the then-applicable MRP(s), unless Channellock has expressly announced or approved in advance a different deviation;

(viii) **Discontinued Products:** The offer or sale of any or all items of the Covered Products that are discontinued by Channellock effective (A) when such item(s) do(es) not appear on the then-current Covered Products List or the price list(s) or product list(s) issued by Channellock or (B) on the date(s) referred to in Channellock Notice of discontinuance; and

(ix) **Employee Offers:** The offer or sale of any or all items of the Covered Products to a bona fide employee of such Channel Partner for his or her personal use (and not for resale), provided that such offer or sale is reasonable (as determined by Channellock) and not advertised or promoted publicly.

4. The Advertising and Marketing Policy.

(a) **Use of the Channellock Intellectual Property or References to Channellock Products.** A Channel Partner violates the A&M Policy if any advertisement, promotion or other marketing vehicle (regardless of the medium used, whether Conventional Advertising, Electronic Content or otherwise) used or done by or on behalf of such Channel Partner (i) includes any or all of the Channellock Intellectual Property or mentions, uses, depicts or otherwise refers to any or all of Channellock Products and (ii) does not conform to (A) the Usage Policies or (B) any or all of the following provided to such Channel Partner: (1) Channellock Notice that furnishes direction or express approval and (2) Disapproval Notice (for purposes of these Policies, **“Disapproval Notice”** means Channellock Notice that disapproves of one or more uses, certain conduct or otherwise).

(b) **Certain Definitions.** For purposes of these Policies: (i) **“Conventional Advertising”** means newspapers, magazines, rotos, direct mail, catalogs, radio, television, signs and each other medium so designated by Channellock; (ii) **“Electronic Content”** means information that (A) can be accessed by an internet browser or the substantive equivalent, including, but not limited to, (1) internet shopping sites, (2) marketplaces and (3) comparison search engines (CSEs) to which a Channel Partner supplies pricing information (*e.g.*, Google Shopping, Rakuten, eBay, Amazon and PriceGrabber); (B) is provided by or through one or more applications (apps) for mobile devices (*e.g.*, tablets and smartphones), including, but not limited to, social media apps (*e.g.*, Twitter, Instagram and Facebook) and mobile gaming platforms; or (C) is furnished by or through (1) electronic solicitations or other electronic communications (*e.g.*, robocalls, caller-on-hold and other audio recordings, messaging (such as SMS (text), MMS (multimedia) and IM (instant)), webcasts, email and online or other electronic chats), (2) electronic advertisements (*e.g.*, email newsletters, pop-ups and banners) or (3) the substantive equivalent; and (iii) the **“Usage Policies”** means policies made available by Channellock Notice regarding (A) the use of the Channellock Intellectual Property and (B) uses, depictions or other references of or to any or all of the Channellock Products, including without limitation those policies relating to format and content.

(c) **Other Ways to Violate the A&M Policy.** Except as expressly authorized by Channellock Notice or otherwise allowed by these Policies, with respect to any or all items of Channellock Products, a Channel Partner violates the A&M Policy by knowingly or negligently (*i.e.*, known or should have known, as determined by Channellock), directly or indirectly:

(i) **Prohibited Terms:** Advertising, promoting or selling using (A) the terms “lowest price,” the “lowest prices,” “prices too low to show,” “make an offer,” “best offer,” “call for discount,” “email for discount,” “call for price,” “email for price,” “call for coupon code,” “email for coupon code” or “add to cart [or other container] for discount”; (B) any form of low-price guarantee or price matching; (C) any express or implied representation(s) that one or more prices below the MRP(s) are available; or (D) the substantive equivalent of any or all of these terms or concepts;

(ii) **Promotion and Sale:** Advertising, promoting or selling in any or all of the following ways: (A) outside the USA and Canada (except to the extent any or all advertising and promotion efforts cannot be reasonably restricted geographically, but this exception does not apply to sales made to anyone located outside the USA and Canada), (B) using anything other than USA dollars for sales to end users located in the USA or Canadian dollars for sales to those located in Canada, (C) using any business name(s) or storefront(s) subject to Disapproval Notice provided to such Channel Partner; (D) online in any fashion to the extent

that Disapproval Notice has been provided to Distributor for any or all business names, storefronts, websites and marketplaces used for such purpose by such Channel Partner; (E), except for the additional packaging reasonably necessary for shipping, in anything other the original packaging and without relabeling, repackaging (including without limitation the separation of combined products or multipacks or the creation of new combined products or multipacks), altering, obscuring or removing labels, serial or lot numbers, other written information accompanying such products or taking other similar action(s) (as determined by Channellock); and (F) combining with one or more items other than Channellock Products with the intent or result of creating the impression that such item(s) are supplied by, endorsed by or otherwise associated with Channellock;

(iii) **Resale:** Selling in either or both of the following ways: (A) to anyone for resale (other than, in the case of returns of any or all items of Channellock Products permitted by Channellock, to Channellock or any or all of the Distributors) and (B) to anyone other than end users permitted by Channellock, including without limitation selling to the Special Accounts (for purposes of these Policies, the **“Special Accounts”** means, collectively, each individual or entity so designated by Channellock Notice);

(iv) **Online Presence:** With respect to online marketing (A) offering or selling anonymously, (B) failing to clearly and prominently indicate the full name, address and telephone and email contact(s) of such Channel Partner; (C) giving the impression (as determined by Channellock) that any or all of the websites used by such Channel Partner is or are operated by Channellock; and (D) failing to fully and promptly comply with the direction provided by Channellock Notice in the event of a Disapproval Notice;

(v) **ASINs/UPCs/Amazon:** For any or all Channellock Products, doing one or more of the following: (A) creating or assisting in or otherwise cooperating in the creation of new Amazon Standard Identification Numbers (**“ASINs”**), Universal Product Codes (**“UPCs”**) or the substantive equivalent; (B) using one or more UPCs or the substantive equivalent for any or all Channellock Products other than that or those obtained and used by Channellock; and (C), if Channel Partner is offering or selling on Amazon.com or its affiliated website(s) and to the extent that such approval is not subject to a Disapproval Notice, listing such product(s) as Prime or using Fulfilled by Amazon (FBA), unless Channellock has expressly authorized, as relevant, such listing and such use and which authorization has not been rescinded by Channellock Notice;

(vi) **Deceptive Behavior:** As determined by Channellock, engaging in (A) false, deceptive or misleading advertising, promotion or sales practices or (B) any conduct that is or could be detrimental to the reputation or integrity of any or all of such Channel Partner, the Distributors (as applicable), Channellock and Channellock Products;

(vii) **Domains:** Using any or all of Channellock, its trademarks or other elements of the Channellock Intellectual Property (or any variant(s) thereof) as or as part of one or more Domains employed by or for the benefit of such Channel Partner, regardless whether such use is in connection with the offering or sale of any or all Channellock Products;

(viii) **Gun Jumping:** Advertising, promoting, selling or using Channellock-designated Programming prior to the release or usage date(s) specified by Channellock for (A) a new product or (B) a product or product combination in a special promotion or with a special promotional price authorized by Channellock (for purposes of these Policies, **“Programming”** means promotional payments, allowances, rebates, discounts and the substantive equivalent);

(ix) **Questioning Rights:** Questioning or challenging the rights claimed by Channellock or its designee(s) in or to the Channellock Intellectual Property or assisting in any way any other(s) in doing so;

(x) **Certain Purchases:** Purchasing any or all Channellock Products other than from Channellock, a Distributor or, in the case of bona fide returns only, an end user; and

(xi) **Modifications/Counterfeits:** Offering or selling one or more products that are modified or counterfeit version(s) of one or more Channellock Products, unless, in the case of modifications only, each such modification is expressly approved in advance by Channellock Notice.

5. The Grandfathered Conduct Exemption. Provided that a Channel Partner otherwise complies with these Policies, such Channel Partner does not violate them by conduct that, as determined by Channellock, cannot reasonably be modified prior to the Policy Effective Date or the effective date of a change in the MRP(s), the Covered Products, the Usage Policies or these Policies until such time that it is reasonable to modify such conduct (as determined by Channellock) to be consistent with these Policies, as long as, if these Policies were in place at the time such conduct occurred, it complied with the then-current terms thereof (the **“Grandfathered Conduct Exemption”**).

6. Additional Ways to Violate these Policies. Except as expressly authorized or directed by Channellock Notice or otherwise permitted by these Policies or to the extent limited to the Covered Products as provided herein, a Channel Partner (directly or through another party on behalf or for the benefit of such Channel Partner) engaging in any or all of the following conduct (or the substantive equivalent thereof) in connection (directly or indirectly) with the offering or sale of any or all Channellock Products will be deemed to be a violation of these Policies:

(a) **MRP Descriptions:** In connection with the offer or sale of any or all of the Covered Products, stating or implying that it is or they are subject to the MRP Policy or any policy or practice affecting minimum advertised or minimum retail price;

(b) **Auctions:** Offering or selling any or all of the Covered Products in an auction environment, such as, but not limited to, on an online auction site (e.g., eBay) or any site using an auction, make-an-offer or best-offer format, except that such Channel Partner may offer or sell on such site as long as (i) it does so in that or those portion(s) other than the auction environment of such site and (ii) such site is not subject to a Disapproval Notice;

(c) **Failure to Exclude:** The failure to expressly exclude each relevant Covered Product from each general offer or sale by such Channel Partner involving a Financial Incentive that takes or after application takes the Net Adjusted Price below the relevant MRP(s) (e.g., “Save 20% on all hand tools”);

(d) **Action Invitations:** Providing an invitation to click, rollover, call, email, visit a location (such as a website, store or showroom) or otherwise communicate to obtain a price, coupon code or the substantive equivalent for any or all of the Covered Products;

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- (e) **Pick-up Discounts:** Offering or furnishing one or more pick-up discounts or the substantive equivalent, unless such offering or furnishing does not take Net Adjusted Price below the relevant MRP(s);
- (f) **Group Pricing:** With respect to the Covered Products, the promotion or sale to group purchasers, except at price(s) no less than each applicable MRP;
- (g) **Trade-ins:** Advertising or promoting a trade-in offer or applying a trade-in Financial Incentive for one or more Channellock Products or any other product(s) in connection with or applicable to any or all of the Covered Products, regardless whether a specific trade-in price or value is advertised or promoted;
- (h) **Questions and Requests:** Failure to promptly and effectively respond to questions and requests from any or all end users and Channellock;
- (i) **Failure to Itemize:** On any and all proposals, quotations, contracts, invoices and receipts provided to or prepared for the benefit of any or all of the potential and actual customers of such Channel Partner in connection with the offer or sale of any or all of the Covered Products (individually and collectively, **“Customer Communication”**), the failure of such Channel Partner to itemize the price charged for each of the products and services shown, referred to or otherwise included on or in such Customer Communication, regardless whether such Customer Communication contain(s) any reference(s) to any of the Covered Products; and
- (j) **Circumvention:** Each tactic which Channellock determines is intended to circumvent application or operation of these Policies.

7. Consequences of Violating these Policies. One or more of the following will occur following verification by Channellock to its satisfaction that a Channel Partner has violated these Policies (if, in the view of Channellock, the nature or severity of a violation is sufficient, the penalty for the Fourth Violation may be applied anytime):

Violation	Consequences
First Violation	Channellock will provide Channellock Notice of the First Violation and may request that such Channel Partner remove or stop, or cause to be removed or stopped such violation within the time period specified in such notice, which typically will be one of the following: (a) no later than twenty-four (24) hours (usually for a violation involving Electronic Content) or (b) by the conclusion of the period otherwise specified by Channellock (regardless whether any action need be taken, a violation has been accrued).
Second Violation	Effective as of the date specified in Channellock Notice of the Second Violation, any or all of the following will occur: (a), in the case of orders for any or all items of Channellock Products submitted by such Channel Partner directly to Channellock (“Direct Orders”), the implicit discount of five percent (5%) for advertising and promoting Channellock Products (the “Implicit Discount”) will be lost for such products during the one-hundred twenty (120) day period specified by Channellock, so that the acquisition price paid by such Channel Partner for each such product is increased by five percent (5%); (b) all accrued, but unpaid, Programming for such Channel Partner will be lost and no additional Programming will be earned or paid during the longer of (i) the remainder of the then-current calendar year or (ii) the one-hundred twenty (120) day period specified by Channellock; and (c), continuing for the next thirty (30) days, the authorization of such Channel Partner to purchase any or all of the Channellock Products will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner.
Third Violation	Effective as of the date specified in Channellock Notice of the Third Violation, any or all of the following will occur: (a), in the case of Direct Orders, the Implicit Discount will be lost for such products during the one-hundred twenty (120) day period specified by Channellock, so that the acquisition price paid by such Channel Partner for each such product is increased by five percent (5%); (b) all accrued, but unpaid, Programming for such Channel Partner will be lost and no additional Programming will be earned or paid during the longer of (i) the remainder of the then-current calendar year or (ii) the one-hundred twenty (120) day period specified by Channellock; and (c), continuing for the next sixty (60) days, the authorization of such Channel Partner to purchase any or all of the Channellock Products will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner. (If any or all of the time periods specified for the Second Violation have not run when the Third Violation occurs, Channellock may begin the time period(s) for the Third Violation after that or those for the Second Violation have concluded.)
Fourth Violation	Effective as of the date specified in Channellock Notice of the Fourth Violation and continuing until Channellock provides notice to such Channel Partner otherwise, if ever, the authorization of such Channel Partner to purchase any or all of the Channellock Products designated by Channellock (the “Designated Products”) will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner for any or all of the Designated Products.
Continued Violations	If such Channel Partner fails to remove or stop, or cause to be removed or stopped, a violation within the time period specified by Channellock in the notice of such violation, such failure will be a subsequent violation of these Policies.
Additional Violations after the Fourth	In the event that, after the Fourth Violation of these Policies by such Channel Partner, either or both of the following are relevant: (a) the Designated Products do not include all Channellock Products or (b) Channellock provides notice to such Channel Partner that Channellock has re-authorized such Channel Partner to purchase any or all of the Designated Products, then each act or failure to act of such Channel Partner that constitutes a violation of these Policies (or is deemed by Channellock to be such a violation) may

receive the same treatment as if a new Fourth Violation had then occurred.
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8. Treatment of Violations/Do-Not-Sell List. Each violation of these Policies is cumulative. Except as otherwise provided in these Policies, the consequences of each violation can take effect regardless whether the consequences for the preceding violation(s) are still running. The same act(s) or failure(s) to act may result in multiple violations. For each Channel Partner purchasing any or all Channellock Products from one or more Distributors, these Policies will be enforced through a Do-Not-Sell List. For purposes of these Policies, “**Do-Not-Sell List**” means Channellock Notice which indicates that (a) one or more individuals or entities are not authorized by Channellock to promote or sell Channellock Products or (b) the authorization of a Channel Partner to promote and sell Channellock Products has been revoked in whole or part with respect to all such products or revoked only with respect to certain of such products.

9. Additional Provisions. Effective as of the Policy Effective Date, these Policies supersede and cancel each other policy applicable to each Channel Partner from Channellock for any or all Channellock Products, if any, regarding minimum advertised price (MAP), resale price or, to the extent covered by these Policies, the advertising and marketing matters referred to herein. For any reason(s) deemed appropriate by Channellock (including without limitation based on the request of a Channel Partner for Channellock to consider such things as, but not necessarily restricted to, limited-time promotional offers for a Channel Partner event or otherwise), but in no case other than as the unilateral decision of Channellock, these Policies may be modified, extended, waived, suspended, discontinued or rescinded in whole or part by Channellock Notice at any time (including without limitation during any Channellock-designated promotional period(s)), with such action(s) effective immediately or as otherwise described by Channellock. If Channellock negotiates a price or prices with an end user that is or are less than the MRP(s) and provides a Channel Partner the opportunity to fulfill one or more orders at such price(s), acceptance by such Channel Partner of such opportunity will not constitute a violation of these Policies.

The availability of any or all items of Channellock Products may be changed by Channellock anytime, in which case, any or all of Channellock, each Distributor and each other individual or entity supplying a Channel Partner may without liability or penalty (a) cancel all pending orders (even if accepted) from a Channel Partner for such changed item(s) and (b) refuse to accept any new orders from a Channel Partner for such item(s). Unless Channellock designates otherwise, for purposes of compliance with these Policies, each business (regardless of the name(s) used and location(s)) directly or indirectly owned, operated or associated with a Channel Partner (as determined by Channellock) will be considered to part of such Channel Partner, so that each violation by any such business will be aggregated with that or those of each other such business and attributed to such Channel Partner. Notwithstanding the use of the term “Channel Partner,” “partner” or anything similar thereto in these Policies or elsewhere, nothing herein or therein shall constitute or be deemed to constitute in the legal sense a franchise, partnership or joint venture between Channellock and a Channel Partner. If the approval of Channellock under these Policies is sought by a Channel Partner, the failure to obtain it no later than seven (7) days after receipt by Channellock of such request will be deemed to be a disapproval of each thing for which such approval is sought.

Regardless whether expressly indicated in these Policies, each notice referred to herein (including without limitation Channellock Notice): (a) may, as determined by Channellock, be given in writing or electronically and (b) will be considered to be received as designated by Channellock. The Explanation (which also may be referred to as “Frequently Asked Questions,” “FAQs” or the substantive equivalent), if any, accompanying or associated with these Policies is intended to help answer questions in connection with them, but is not part of these Policies. In the event of any disagreement over the interpretation or enforcement of these Policies, the view of Channellock will control.

If Channellock determines that a Channel Partner does not qualify for or abused any or all of the MRP Policy Exemptions and the Grandfathered Conduct Exemption, such exemption(s) with respect to such Channel Partner will be deemed withdrawn by Channellock retroactive to the Policy Effective Date or such other date specified by Channellock. Except in extraordinary circumstances, Channellock will not consider any requests for other exemptions. The consequences of violating these Policies are non-exclusive and do not limit or waive in any way the legal, equitable and other remedies available to Channellock, particularly for conduct relating to the Channellock Intellectual Property. If applicable law contains any requirement or prohibition that is inconsistent with these Policies, Channellock may, effective as designated by Channellock, add or substitute such requirement, accommodate such prohibition or rescind these Policies in whole or part without liability.

Channellock will not discuss any conditions of acceptance related to these Policies. In addition, Channellock neither solicits, nor will it accept, any assurance of compliance with these Policies. Notwithstanding anything to the contrary which may be expressed or implied in or by one or more agreements between a Channel Partner and Channellock, a Channel Partner and a Distributor or otherwise, nothing therein shall constitute an agreement by such Channel Partner to comply with these Policies, as, among other things, these Policies are not and should not be construed to be one of the Channellock Policies (as such term or the substantive equivalent is or may be used in any or all of such agreements or otherwise) for which such compliance is mandatory.

10. Questions, Additional Information or Information Regarding Potential Violations. All questions or requests for additional information regarding these Policies and all information regarding potential violations of these Policies must be in writing and are to be addressed to the following person at Channellock responsible for these Policies (“**Policy Administrator**”):

Policy Administrator, Channellock Inc., 1306 South Main Street, Meadville, PA USA 16335
email: compliance@channellock.com

Only the Policy Administrator or the Policy Administrator’s designated representative(s) is or are authorized by Channellock to answer questions regarding these Policies, to comment on these Policies or to accept information regarding potential violations. Except for the Policy Administrator and such representative(s), no Channellock employee or independent sales representative has authority to comment upon or to take any action under these Policies.

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CHANNELLOCK, INC.
1306 South Main Street | Meadville, PA 16335

BRAND PROTECTION POLICIES FOR CHANNEL PARTNERS

THE MINIMUM RESALE PRICE POLICY + THE ADVERTISING AND MARKETING POLICY

EXPLANATION

INCLUDING FREQUENTLY ASKED QUESTIONS (FAQs)

This Explanation is intended to help answer questions in connection with the Brand Protection Policies for Channel Partners (the “Policies”) issued by Channellock, Inc. (“Channellock”), but is not part of the Policies. Since this is only a summary, the Policies should be consulted.

General

1. When are the Policies effective?

The effective date for the Policies is October 1, 2019 (the “**Policy Effective Date**”).

2. Why has Channellock adopted the Policies?

The products sold by Channellock are of high quality with a premium image for excellence and innovation worldwide earned through extensive product and market development activities and superior service. Some Channel Partners have taken or may take advantage of this situation by advertising or selling Channellock Products as loss leaders, promoting or applying unfair discounts or misusing intellectual property of Channellock or references to Channellock or its products. In an effort to help safeguard the reputation of Channellock, insure the long-term viability of each of its brands and protect the investment of those Channel Partners that provide valuable services to end users, Channellock has adopted the Policies.

3. What do the Policies cover and to whom do they apply?

The Policies (a) are applicable to each Channel Partner and (b) consist of two primary parts: (i) a policy regarding minimum resale price (the “**Minimum Resale Price Policy**” or the “**MRP Policy**”), which establishes a price below which specified Channellock Products may not be offered or sold and (ii) a policy dealing with advertising and marketing (the “**Advertising and Marketing Policy**” or the “**A&M Policy**”), which addresses how Channellock Products may be marketed. The Minimum Resale Price Policy applies to certain Channellock Products, while the Advertising and Marketing Policy, unless otherwise noted, applies to all Channellock Products.

4. What does “Channel Partner,” “Channellock Products” and related terms mean?

As used in the Policies:

(a) “**Channel Partner**” (in the plural, “**Channel Partners**”) means an individual or entity located in either or both of the United States of America (“**USA**”) and Canada that (i) promotes and sells one or more products offered by Channellock regardless of brand (collectively, “**Channellock Products**”) to any or all actual or potential end user purchasers (collectively, “**end users**” and individually, an “**end user**”), whether doing so directly or through another party that does such things as advertise or fulfill orders on behalf of such individual or entity) or (ii) is a Distributor, but only to the extent, if any, that such Distributor performs as a Channel Partner;

(b) the “**Distributors**” (“**Distributor**” in the singular) means, collectively, each individual or entity designated as such by Channellock Notice (unless and until such notice is provided by Channellock, each individual and entity otherwise permitted by Channellock to sell to one or more Channel Partners will be considered a Distributor; and

(c) “**Channellock Notice**” means notice from Channellock to a Channel Partner provided or made available electronically or otherwise, such as, but not limited to, posting on one or more websites designated by Channellock.

5. Does use of “Channel Partner” mean that Channellock and Channel Partner have a partnership?

Yes, in the business sense, but not in the legal sense. While the relationship with and contributions by each Channel Partner are appreciated by Channellock, they do not constitute franchise, partnership or joint venture from a legal perspective.

The Minimum Resale Price Policy

6. What does the MRP Policy do and what products are subject to it?

The MRP Policy establishes a minimum resale price (“**MRP**” and referring to either the singular or the plural or both, “**MRP(s)**”) for each of the Channellock Products as specified by Channellock Notice (individually, a “**Covered Product**” and collectively, the “**Covered Products**”), including without limitation on the price list(s) or product list(s) provided or otherwise made available by Channellock Notice (individually and collectively, “**Covered Products List**”).

7. To what does the MRP Policy apply?

Each form of marketing using or containing Price Information regarding one or more of the Covered Products used by or on behalf of a Channel Partner is subject to the MRP Policy. **When applied to websites, Price Information found outside the cart (or other container), in the cart (or other container) and at checkout is subject to the MRP Policy.** In addition, the MRP for a Covered Product may vary depending upon where the Price Information appears to which it applies. As used in the Policies, **“Price Information”** means information regarding price, whether express or implied, such as a discrete price, price formula, reference to price or anything related to price (e.g., representations or inferences regarding savings, discount(s) or value) and the equivalent as determined by Channellock (the **“substantive equivalent”**).

8. What is the difference between the MRP Policy and a Minimum Advertised Price (MAP) Policy?

The MRP Policy applies to: (a) the price(s) at which any or all of the Covered Products is or are made available in any way (whether through advertising, promotion, proposal or otherwise and regardless of place or medium used) (individually and collectively, **“offering”** and its variants) and (b) the actual selling price. A MAP Policy only applies to the advertised or offer price.

9. How does the Minimum Resale Price relate to the Manufacturer's Suggested Retail Price?

Channellock may designate a Manufacturer's Suggested Retail Price (**“MSRP”**) for any or all Channellock Products. The MRP for each of the Covered Products could be the same as or less than its MSRP.

10. Can Channellock change various aspects of the MRP Policy?

Yes. Channellock, at any time, may vary any or all of the MRP(s) for a Covered Product or add to or delete any or all of the Covered Products, which may, among other things, be based on whether such product(s) is or are offered or sold under or subject to one or more select Channellock program(s) or any other Channellock policy or in any other situation announced by Channellock from time to time. Channellock will endeavor to provide prior notice of each new MRP or such change in the Covered Products, generally not less than five (5) days in advance. While Channellock will communicate each MRP and such change by Channellock Notice (including without limitation through the Covered Products List), each Channel Partner is responsible for making sure that it is aware of each appropriate Covered Product and MRP in each circumstance.

11. Is Channellock setting the price charged by Channel Partners?

No. Each Channel Partner may offer or charge any price it wishes. However, a Channel Partner violates the MRP Policy by (a) offering, achieving one or more sales (whether doing so face-to-face, in-store, online, through a catalog or in any other manner) or otherwise providing any or all of the Covered Products at a Net Adjusted Price less than the corresponding MRP(s) established by Channellock from time to time and communicated by Channellock Notice or (ii), as provided in the MRP Policy, being deemed to have violated it. The MRP(s) for offers and sales made to end users located in the USA are in USA dollars, while those made to end users in Canada are in Canadian dollars.

12. What is “Net Adjusted Price”?

“Net Adjusted Price” means the price at which a Covered Product is offered by or for the benefit of a Channel Partner to an end user or that actually paid to or for the benefit of a Channel Partner for a Covered Product by an end user after (a) applying all discounts and similar price reductions, (b) excluding certain taxes and shipment charges and (c) giving effect to the value of each Bundle, while **“Bundle”** means a combination of one or more Channellock Products with one or more other products or services offered or sold together (as determined by Channellock).

13. How is Net Adjusted Price determined?

Except as otherwise provided in the MRP Policy, Net Adjusted Price for each Channel Partner will be calculated by:

(a) Including Discounts: Taking into account all discounts, deductions, rebates, allowances and the substantive equivalent offered or provided to an end user (regardless of source, whether given or taken at the time of offer, sale or otherwise and considered by Channellock to be part of such offer or sale), **except for the following**:

(i) Rebates/Coupons from Channellock: Each offer or sale referring to or applying a rebate, coupon or the substantive equivalent will not be considered part of Net Adjusted Price if such rebate, coupon or equivalent is provided by Channellock or its designee(s): (A) directly to such end user or (B) to such Channel Partner for provision to and use by such end user;

(ii) Gift Cards/Store Credit: Each offer or sale referring to or applying one or more Gift Cards, as long as such use is in a transaction separate from the purchase or award of such card(s) (However, any or all Gift Cards offered or furnished with the purchase of one or more of the Covered Products will be considered a discount, except as otherwise provided in the MRP Policy.) (As used in the Policies, **“Gift Cards”** means prepaid store value money cards, other forms of store credit or the substantive equivalent typically issued by a Channel Partner or a bank and used as an alternative to cash for purchases); and

(iii) Free/Reduced-Price Shipping: Free or reduced-price shipping may be offered or furnished by such Channel Partner without it being considered to be a discount when offered or furnished in connection with a potential or actual purchase that includes at least one of the Covered Products, provided that, as determined by Channellock: (A) such offer applies to all other products in each category in which each such Covered Product resides and (B) the value thereof is reasonable;

(b) Excluding Taxes/Certain Charges: Excluding, if to be paid or paid by such end user, all applicable taxes and all shipping, delivery and

insurance charges (However, if such Channel Partner offers to pay or pays any or all of such taxes and such charges that otherwise would be paid by such end user, the amount so offered or paid by such Channel Partner will be considered a discount, except as otherwise provided in the MRP Policy.);

(c) Subtracting Value of Free Goods and Services. Subtracting, in the case of free goods, services and similar benefits for such end user offered or provided by such Channel Partner as part of a Bundle, the fair market value (as determined by Channellock) of all such goods, services and benefits (regardless of source, whether given or taken at the time of offer, sale or otherwise and considered by Channellock to be part of such offer or sale); and

(d) Subtracting Reduced-Price Value. Subtracting, in the case of reduced-price goods and services and similar benefits for such end user offered or provided by such Channel Partner as part of a Bundle, the difference between: (i) the fair market value (as determined by Channellock) of all such goods, services and benefits (regardless of source, whether given or taken at the time of offer, sale or otherwise and considered by Channellock to be part of such offer or sale) and (ii) the amount to be paid or paid for such goods, services and benefits.

What this means is that a Channel Partner's "bottom-line" offering or selling price to end users for each of the Covered Products must be at or above the applicable price described in the MRP Policy. The bottom-line price is after all discounts, deductions, rebates and allowances and excludes taxes, shipping, delivery and insurance (if paid by such end user).

14. Is there another way to explain how Bundles are treated?

Yes. To calculate whether there is a violation of the MRP Policy when a Bundle is offered or sold, the MRP for each Covered Product included in such Bundle is subtracted from the Bundle price. If the difference is less than the fair market value (as determined by Channellock) of the contents of such Bundle other than the item(s) of the Covered Products, there is a violation. (For example, when a Bundle that consists of a Channellock tool assortment plus a Torx screwdriver is offered for \$77.99, the MRP for the assortment (assume it is \$76.99) is subtracted from \$77.99, leaving \$1.00. If the fair market value of the screwdriver is more than \$1.00, there is a violation.)

15. Are end user rebates or coupons that come from Channellock considered discounts?

No. Each offer or sale referring to or applying a rebate, coupon or the substantive equivalent will not be considered part of Net Adjusted Price if such rebate, coupon or equivalent is provided by Channellock or its designee(s) (a) directly to an end user or (b) to a Channel Partner for provision to and use by an end user.

16. Are Gift Cards treated as a discount?

No. The reference to or application of one or more Gift Cards in connection with any or all Covered Products will not be treated as part of Net Adjusted Price, as long as such use is in a transaction separate from the purchase or award of such card(s). However, one or more Gift Cards offered or furnished with the purchase of one or more of the Covered Products will be considered a discount, except as otherwise provided in the MRP Policy.

17. Is free or reduced price shipping treated as a discount?

No. Free or reduced-price shipping may be offered or furnished without it being considered to be a discount when offered or furnished in connection with a potential or actual purchase that includes at least one of the Covered Products, provided that, as determined by Channellock: (a) such offer applies to all other products in the category in which such Covered Product or such Covered Products reside and (b) the value thereof is reasonable.

18. Will Channellock provide some guidance on fair market value?

Yes. The fair market value for each Covered Product provided for free or at a reduced price with the purchase of another Covered Product will be its MRP. From time to time, Channellock may communicate by Channellock Notice what it considers to be the fair market value for particular goods or services.

19. How is the situation treated when a Channel Partner offers a Covered Product in pairs or multiples?

Unless otherwise directed by Channellock, each time the same Covered Product is offered or sold by a Channel Partner in pairs or other groupings, the offer or selling price must be no less than the applicable MRP multiplied by the number of units in such offer or sale.

20. Apart from end user rebates and coupons that come from Channellock, use of Gift Cards and free or reduced-price shipping, are there other things allowed by the MRP Policy?

Yes. A Channel Partner does not violate the MRP Policy by offering or selling one or more Covered Products at a Net Adjusted Price that is less than the applicable MRP(s) if such offer or sale is made in accordance with one or more of the following exemptions (collectively, the "**MRP Policy Exemptions**") and otherwise complies with the Policies:

(a) Returns: In the case of returns of any or all items of the Covered Products permitted by Channellock, each offer or sale thereof to Channellock or to any or all of the Distributors;

(b) Special Programs: The offer or sale under one or more special programs (if any) designated by Channellock, as long as such Channel Partner complies with the terms and conditions of such program(s) specified or otherwise expressly approved by Channellock Notice in advance;

(c) **Multi-Item Discount:** The offer or sale of one or more of the Covered Products subject to a discount that is triggered by reaching certain quantity or dollar levels in the cart (or other container) for a single proposed or actual purchase (a **“Multi-Item Discount”**), as long as: (i) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for such discount (collectively, the **“MID-Eligible Products”**); (ii) such Channel Partner complies with the terms and conditions of such approval; and (iii), regardless whether consisting of one or more of the MID Eligible Products or one or more of the MID-Eligible Products combined with that or those of any other supplier(s), the amount of such discount when pro-rated among the products in such cart (or other container) based on their relative dollar value takes the Net Adjusted Price for each of the MID Eligible Products offered or sold to no less than ninety-five percent (95%) of its then-current MRP, unless Channellock has expressly approved in advance a larger deviation;

(d) **Storewide, Site-wide or Category-wide Promotions:** A storewide, site-wide or category-wide promotion involving a coupon, discount, credit, rebate or the substantive equivalent (a **“Financial Incentive”**) that would, after its application, result in offer or sales price(s) for any or all of the Covered Products below its or their respective MRP(s), as long as: (i) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for such promotion (collectively, the **“Promotion-Eligible Products”**); (ii) such Channel Partner complies with the terms and conditions of such approval; (iii) such Financial Incentive may be applied to all or almost all of the products offered by such Channel Partner or, in the case of a category-wide sale (such as hand tools), no fewer than two (2) brands in the category other than that or those of Channellock; and (iv) such application takes the Net Adjusted Price for each of the Promotion Eligible Products to no less than the MRP supplied by Channellock specifically for such promotion;

(e) **Card Benefit:** A card benefit consisting of a Financial Incentive associated with the use of a designated credit or debit card (a **“Card Benefit”**) that would, after its application, result in offer or sale price(s) for any or all of the Covered Products below its or their respective MRP(s), as long as (i) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for such promotion; (ii) such Channel Partner complies with the terms and conditions of such approval; (iii) such Card Benefit may be applied to all or almost all of the products offered by such Channel Partner; and (iv), unless expressly approved or directed in advance by Channellock Notice, nothing promoting such Card Benefit mentions, uses, depicts or otherwise refers to or appears adjacent to or near any or all of (A) the Covered Products and (B) the Channellock Intellectual Property (as used in the Policies, (1) the **“Channellock Intellectual Property”** means any and all trademarks, trade names, service marks, trade dress, copyrights, logotypes, Domains, images, artwork, designs, copy, data, data bases, marketing information, trade secrets, confidential information and anything else in which Channellock or its designee(s) claim(s) rights, regardless whether steps have been taken to register such rights with any government authority or private registrar and (2) **“Domains”** means domain names, subdomains, Uniform Resource Locators (URLs) or the substantive equivalent);

(f) **Loyalty Points:** The accrual of “points” or other things of value (**“Loyalty Points”**) in connection with the purchase or receipt of any or all products and services from such Channel Partner and the subsequent application of Loyalty Points (but only in one or more transactions other than the one(s) in which they were earned), even if such application results in offer or sale price(s) for any or all of the Covered Products below its or their respective MRP(s), as long as: (i) such Channel Partner has received Channellock Notice expressly approving in advance the participation of each of the Channellock Products eligible for Loyalty Points (collectively, the **“Loyalty-Eligible Products”**); (ii) such Channel Partner complies with the terms and conditions of such approval; (iii) Loyalty Points may be accrued and applied to all or almost all of the products and services offered by such Channel Partner, (iv), unless expressly approved or directed in advance by Channellock Notice, the everyday accumulation rate for Loyalty Points applicable to the purchase of any or all of the Loyalty-Eligible Products is no more than that applicable to all or almost all other brands of products offered by such Channel Partner (as determined by Channellock regardless of category); and (v), unless expressly approved or directed in advance by Channellock Notice, nothing promoting Loyalty Points mentions, uses, depicts or otherwise refers to or appears adjacent to or near any or all of (A) the Covered Products and (B) the Channellock Intellectual Property;

(g) **Military Exchanges:** The offer or sale of any or all of the Covered Products below its or their MRP(s); provided that, such offer or sale: (i) is made by a Channel Partner that is or is a part of the Army & Air Force Exchange Service (AAFES), one of the other U.S. military or veterans’ exchanges (i.e., that operated by the Navy (NEX), Marine Corps (MCX), Coast Guard (CGX) or Veterans Canteen Service (VCS)) or the Canadian Forces Exchange System (CANEX); (ii) is made only to end users eligible to shop at such exchange(s); and (iii) is at a Net Adjusted Price that is no less than seventy (70%) of the then-applicable MRP(s), unless Channellock has expressly announced or approved in advance a different deviation;

(h) **Discontinued Products:** The offer or sale of any or all items of the Covered Products that are discontinued by Channellock effective (i) when such item(s) do(es) not appear on the then-current Covered Products List or the price list(s) or product list(s) issued by Channellock or (ii) on the date(s) referred to in Channellock Notice of discontinuance; and

(i) **Employee Offers:** The offer or sale of any or all items of the Covered Products to a bona fide employee of such Channel Partner for his or her personal use (and not for resale), provided that such offer or sale is reasonable (as determined by Channellock) and not advertised or promoted publicly.

The Advertising and Marketing Policy

21. What does the A&M Policy do and what products are subject to it?

The Advertising and Marketing Policy applies to all Channellock Products and protects the Channellock Intellectual Property and references to Channellock or its products. Specifically, a Channel Partner violates the A&M Policy if any advertisement, promotion or other marketing vehicle

(regardless of the medium used, whether Conventional Advertising, Electronic Content or otherwise) used or done by or on behalf of such Channel Partner (a) includes any or all of the Channellock Intellectual Property or mentions, uses, depicts or otherwise refers to any or all of Channellock Products and (b) does not conform to (i) the Usage Policies or (ii) any or all of the following provided to such Channel Partner: (A) Channellock Notice that furnishes direction or express approval and (B) Disapproval Notice (as used in the Policies, “**Disapproval Notice**” means Channellock Notice that disapproves of one or more uses, certain conduct or otherwise).

22. What do the terms “Conventional Advertising,” “Electronic Content” and the “Usage Policies” mean?

As used in the Policies: (a) “**Conventional Advertising**” means newspapers, magazines, rotos, direct mail, catalogs, radio, television, signs and each other medium so designated by Channellock; (b) “**Electronic Content**” means information that (i) can be accessed by an internet browser or the substantive equivalent, including, but not limited to, (A) internet shopping sites, (B) marketplaces and (C) comparison search engines (CSEs) to which a Channel Partner supplies pricing information (e.g., Google Shopping, Rakuten, eBay, Amazon and PriceGrabber); (ii) is provided by or through one or more applications (apps) for mobile devices (e.g., tablets and smartphones), including, but not limited to, social media apps (e.g., Twitter, Instagram and Facebook) and mobile gaming platforms; or (iii) is furnished by or through (A) electronic solicitations or other electronic communications (e.g., robocalls, caller-on-hold and other audio recordings, messaging (such as SMS (text), MMS (multimedia) and IM (instant)), webcasts, email and online or other electronic chats), (B) electronic advertisements (e.g., email newsletters, pop-ups and banners) or (C) the substantive equivalent; and (c) the “**Usage Policies**” means policies made available by Channellock Notice regarding (i) the use of the Channellock Intellectual Property and (ii) uses, depictions or other references of or to any or all of the Channellock Products, including without limitation those policies relating to format and content.

23. Apart from using the Channellock Intellectual Property or references to or depictions of Channellock Products without following the Usage Policies or obtaining Channellock’s approval, can the A&M Policy be violated in other ways?

Yes. Except as expressly authorized by Channellock Notice or otherwise allowed by the Policies, with respect to any or all items of Channellock Products, a Channel Partner violates the A&M Policy by knowingly or negligently (*i.e.*, known or should have known, as determined by Channellock), directly or indirectly:

(a) **Prohibited Terms:** Advertising, promoting or selling using (i) the terms “lowest price,” the “lowest prices,” “prices too low to show,” “make an offer,” “best offer,” “call for discount,” “email for discount,” “call for price,” “email for price,” “call for coupon code,” “email for coupon code” or “add to cart [or other container] for discount”; (ii) any form of low-price guarantee or price matching; (iii) any express or implied representation(s) that one or more prices below the MRP(s) are available; or (iv) the substantive equivalent of any or all of these terms or concepts;

(b) **Promotion and Sale:** Advertising, promoting or selling in any or all of the following ways: (i) outside the USA and Canada (except to the extent any or all advertising and promotion efforts cannot be reasonably restricted geographically, but this exception does not apply to sales made to anyone located outside the USA and Canada), (ii) using anything other than USA dollars for sales to end users located in the USA or Canadian dollars for sales to those located in Canada, (iii) using any business name(s) or storefront(s) subject to Disapproval Notice provided to such Channel Partner; (iv) online in any fashion to the extent that Disapproval Notice has been provided to Distributor for any or all business names, storefronts, websites and marketplaces used for such purpose by such Channel Partner; (v), except for the additional packaging reasonably necessary for shipping, in anything other the original packaging and without relabeling, repackaging (including without limitation the separation of combined products or multipacks or the creation of new combined products or multipacks), altering, obscuring or removing labels, serial or lot numbers, other written information accompanying such products or taking other similar action(s) (as determined by Channellock); and (vi) combining with one or more items other than Channellock Products with the intent or result of creating the impression that such item(s) are supplied by, endorsed by or otherwise associated with Channellock;

(c) **Resale:** Selling in either or both of the following ways: (i) to anyone for resale (other than, in the case of returns of any or all items of Channellock Products permitted by Channellock, to Channellock or any or all of the Distributors) and (ii) to anyone other than end users permitted by Channellock, including without limitation selling to the Special Accounts (as used in the Policies, the “**Special Accounts**” means, collectively, each individual or entity so designated by Channellock Notice);

(d) **Online Presence:** With respect to online marketing (i) offering or selling anonymously, (ii) failing to clearly and prominently indicate the full name, address and telephone and email contact(s) of such Channel Partner; (iii) giving the impression (as determined by Channellock) that any or all of the websites used by such Channel Partner is or are operated by Channellock; and (iv) failing to fully and promptly comply with the direction provided by Channellock Notice in the event of a Disapproval Notice;

(e) **ASINs/UPCs/Amazon:** For any or all Channellock Products, doing one or more of the following: (i) creating or assisting in or otherwise cooperating in the creation of new Amazon Standard Identification Numbers (“**ASINs**”), Universal Product Codes (“**UPCs**”) or the substantive equivalent; (ii) using one or more UPCs or the substantive equivalent for any or all Channellock Products other than that or those obtained and used by Channellock; and (iii), if Channel Partner is offering or selling on Amazon.com or its affiliated website(s) and to the extent that such approval is not subject to a Disapproval Notice, listing such product(s) as Prime or using Fulfilled by Amazon (FBA), unless Channellock has expressly authorized, as relevant, such listing and such use and which authorization has not been rescinded by Channellock Notice;

(f) **Deceptive Behavior:** As determined by Channellock, engaging in (i) false, deceptive or misleading advertising, promotion or sales practices or (ii) any conduct that is or could be detrimental to the reputation or integrity of any or all of such Channel Partner, the Distributors (as applicable), Channellock and Channellock Products;

(g) **Domains:** Using any or all of Channellock, its trademarks or other elements of the Channellock Intellectual Property (or any variant(s) thereof) as or as part of one or more Domains employed by or for the benefit of such Channel Partner, regardless whether such use is in connection with the offering or sale of any or all Channellock Products;

(h) **Gun Jumping:** Advertising, promoting, selling or using Channellock-designated Programming prior to the release or usage date(s) specified by Channellock for (i) a new product or (ii) a product or product combination in a special promotion or with a special promotional price authorized by Channellock (as used in the Policies, **“Programming”** means promotional payments, allowances, rebates, discounts and the substantive equivalent);

(i) **Questioning Rights:** Questioning or challenging the rights claimed by Channellock or its designee(s) in or to the Channellock Intellectual Property or assisting in any way any other(s) in doing so;

(j) **Certain Purchases:** Purchasing any or all Channellock Products other than from Channellock, a Distributor or, in the case of bona fide returns only, an end user; and

(k) **Modifications/Counterfeits:** Offering or selling one or more products that are modified or counterfeit version(s) of one or more Channellock Products, unless, in the case of modifications only, each such modification is expressly approved in advance by Channellock Notice.

Questions Applicable to both the MRP Policy and the A&M Policy

24. Is there an exemption from the MRP Policy and A&M Policy for things that cannot be modified in time to avoid a violation?

Yes. Provided that a Channel Partner otherwise complies with the Policies, such Channel Partner does not violate them by conduct that, as determined by Channellock, cannot reasonably be modified prior to the Policy Effective Date or the effective date of a change in the MRP(s), the Covered Products, the Usage Policies or the Policies until such time that it is reasonable to modify such conduct (as determined by Channellock) to be consistent with the Policies, as long as, if the Policies were in place at the time such conduct occurred, it complied with the then-current terms thereof (the **“Grandfathered Conduct Exemption”**).

25. Will Channellock consider requests for additional exemptions?

No, except in extraordinary situations.

26. What happens if a Channel Partner relies on one or more exemptions, but does not qualify for or abused it or them?

If Channellock determines that such Channel Partner does not qualify for or abused any or all of the MRP Policy Exemptions or the Grandfathered Conduct Exemption, such exemption(s) with respect to such Channel Partner will be deemed withdrawn by Channellock retroactive to the Policy Effective Date or such other date specified by Channellock.

27. If a Channel Partner violates the MRP Policy and later violates the A&M Policy, has it committed (a) one violation of each policy or (b) two violations of the Policies?

Both (a) and (b). But what is most important is that any violation of the MRP Policy is combined with any violation of the A&M Policy to determine the number of times a Channel Partner has violated the Policies. So, the total violations of the Policies could be based on MRP Policy violations, A&M Policy violations or both types taken together.

28. Are there other ways to violate the Policies?

Yes. Except as expressly authorized or directed by Channellock Notice or otherwise permitted by the Policies or to the extent limited to the Covered Products as provided below, a Channel Partner (directly or through another party on behalf or for the benefit of such Channel Partner) engaging in any or all of the following conduct (or the substantive equivalent thereof) in connection (directly or indirectly) with the offering or sale of any or all Channellock Products will be deemed to be a violation of the Policies:

(a) **MRP Descriptions:** In connection with the offer or sale of any or all of the Covered Products, stating or implying that it is or they are subject to the MRP Policy or any policy or practice affecting minimum advertised or minimum retail price;

(b) **Auctions:** Offering or selling any or all of the Covered Products in an auction environment, such as, but not limited to, on an online auction site (e.g., eBay) or any site using an auction, make-an-offer or best-offer format, except that such Channel Partner may offer or sell on such site as long as (i) it does so in that or those portion(s) other than the auction environment of such site and (ii) such site is not subject to a Disapproval Notice;

(c) **Failure to Exclude:** The failure to expressly exclude each relevant Covered Product from each general offer or sale by such Channel Partner involving a Financial Incentive that takes or after application takes the Net Adjusted Price below the relevant MRP(s) (e.g., “Save 20% on all hand tools”);

(d) **Action Invitations:** Providing an invitation to click, rollover, call, email, visit a location (such as a website, store or showroom) or otherwise communicate to obtain a price, coupon code or the substantive equivalent for any or all of the Covered Products;

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- (e) Pick-up Discounts: Offering or furnishing one or more pick-up discounts or the substantive equivalent, unless such offering or furnishing does not take Net Adjusted Price below the relevant MRP(s);
- (f) Group Pricing: With respect to the Covered Products, the promotion or sale to group purchasers, except at price(s) no less than each applicable MRP;
- (g) Trade-ins: Advertising or promoting a trade-in offer or applying a trade-in Financial Incentive for one or more Channellock Products or any other product(s) in connection with or applicable to any or all of the Covered Products, regardless whether a specific trade-in price or value is advertised or promoted;
- (h) Questions and Requests. Failure to promptly and effectively respond to questions and requests from any or all end users and Channellock;
- (i) Failure to Itemize: On any and all proposals, quotations, contracts, invoices and receipts provided to or prepared for the benefit of any or all of the potential and actual customers of such Channel Partner in connection with the offer or sale of any or all of the Covered Products (individually and collectively, **“Customer Communication”**), the failure of such Channel Partner to itemize the price charged for each of the products and services shown, referred to or otherwise included on or in such Customer Communication, regardless whether such Customer Communication contain(s) any reference(s) to any of the Covered Products; and
- (j) Circumvention: Each tactic which Channellock determines is intended to circumvent application or operation of the Policies.

29. How is the situation treated when a Channel Partner requests approval from Channellock under the Policies, but doesn't hear back?

If the approval of Channellock under the Policies is sought by a Channel Partner, the failure to obtain it no later than seven (7) days after receipt by Channellock of such request will be deemed to be a disapproval of each thing for which such approval is sought.

30. What do the Policies say about product availability?

The availability of any or all items of Channellock Products may be changed by Channellock anytime, in which case, any or all of Channellock, each Distributor and each other individual or entity supplying a Channel Partner may without liability or penalty (a) cancel all pending orders (even if accepted) from a Channel Partner for such changed item(s) and (b) refuse to accept any new orders from a Channel Partner for such item(s).

31. What happens if a Channel Partner violates the Policies?

One or more of the following will occur following verification by Channellock to its satisfaction that a Channel Partner has violated the Policies (if, in the view of Channellock, the nature or severity of a violation is sufficient, the penalty for the Fourth Violation may be applied anytime):

<u>Violation</u>	<u>Consequences</u>
First Violation	Channellock will provide Channellock Notice of the First Violation and may request that such Channel Partner remove or stop, or cause to be removed or stopped such violation within the time period specified in such notice, which typically will be one of the following: (a) no later than twenty-four (24) hours (usually for a violation involving Electronic Content) or (b) by the conclusion of the period otherwise specified by Channellock (regardless whether any action need be taken, a violation has been accrued).
Second Violation	Effective as of the date specified in Channellock Notice of the Second Violation, any or all of the following will occur: (a), in the case of orders for any or all items of Channellock Products submitted by such Channel Partner directly to Channellock (“Direct Orders”), the implicit discount of five percent (5%) for advertising and promoting Channellock Products (the “Implicit Discount”) will be lost for such products during the one-hundred twenty (120) day period specified by Channellock, so that the acquisition price paid by such Channel Partner for each such product is increased by five percent (5%); (b) all accrued, but unpaid, Programming for such Channel Partner will be lost and no additional Programming will be earned or paid during the longer of (i) the remainder of the then-current calendar year or (ii) the one-hundred twenty (120) day period specified by Channellock; and (c), continuing for the next thirty (30) days, the authorization of such Channel Partner to purchase any or all of the Channellock Products will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner.
Third Violation	Effective as of the date specified in Channellock Notice of the Third Violation, any or all of the following will occur: (a), in the case of Direct Orders, the Implicit Discount will be lost for such products during the one-hundred twenty (120) day period specified by Channellock, so that the acquisition price paid by such Channel Partner for each such product is increased by five percent (5%); (b) all accrued, but unpaid, Programming for such Channel Partner will be lost and no additional Programming will be earned or paid during the longer of (i) the remainder of the then-current calendar year or (ii) the one-hundred twenty (120) day period specified by Channellock; and (c), continuing for the next sixty (60) days, the authorization of such Channel Partner to purchase any or all of the Channellock Products will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner. (If any or all of the time periods specified for the Second Violation have not run when the Third

	Violation occurs, Channellock may begin the time period(s) for the Third Violation after that or those for the Second Violation have concluded.)
Fourth Violation	Effective as of the date specified in Channellock Notice of the Fourth Violation and continuing until Channellock provides notice to such Channel Partner otherwise, if ever, the authorization of such Channel Partner to purchase any or all of the Channellock Products designated by Channellock (the “ Designated Products ”) will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner for any or all of the Designated Products.
Continued Violations	If such Channel Partner fails to remove or stop, or cause to be removed or stopped, a violation within the time period specified by Channellock in the notice of such violation, such failure will be a subsequent violation of the Policies.
Additional Violations after the Fourth	In the event that, after the Fourth Violation of the Policies by such Channel Partner, either or both of the following are relevant: (a) the Designated Products do not include all Channellock Products or (b) Channellock provides notice to such Channel Partner that Channellock has re-authorized such Channel Partner to purchase any or all of the Designated Products, then each act or failure to act of such Channel Partner that constitutes a violation of the Policies (or is deemed by Channellock to be such a violation) may receive the same treatment as if a new Fourth Violation had then occurred.

32. How are violations of the Policies treated?

Each violation of the Policies is cumulative. Except as otherwise provided in the Policies, the consequences of each violation can take effect regardless whether the consequences for the preceding violation(s) are still running. The same act(s) or failure(s) to act may result in multiple violations.

33. If a Channel Partner buys from a Distributor and violates the Policies, how are the restrictions on product access enforced?

For each Channel Partner purchasing any or all Channellock Products from one or more Distributors, the Policies will be enforced through a Do-Not-Sell List. As used in the Policies, “**Do-Not-Sell List**” means Channellock Notice which indicates that (a) one or more individuals or entities are not authorized by Channellock to promote or sell Channellock Products or (b) the authorization of a Channel Partner to promote and sell Channellock Products has been revoked in whole or part with respect to all such products or revoked only with respect to certain of such products.

34. Will a Channel Partner violating the Policies be warned first?

No. Channellock cannot provide any advance warning.

35. How are violations of the Policies handled if a Channel Partner sells Channellock Products through more than one business?

Unless Channellock designates otherwise, for purposes of compliance with the Policies, each business (regardless of the name(s) used and location(s)) directly or indirectly owned, operated or associated with a Channel Partner (as determined by Channellock) will be considered to part of such Channel Partner, so that each violation by any such business will be aggregated with that or those of each other such business and attributed to such Channel Partner.

36. Does Channellock have any recourse beyond the consequences described for violating the Policies?

Yes. The consequences of violating the Policies are non-exclusive and do not limit or waive in any way the legal, equitable and other remedies available to Channellock, particularly for conduct relating to the Channellock Intellectual Property.

37. How are minimum retail price policies (like the MRP Policy) treated under the law?

At least four Supreme Court cases taken together—*U.S. v. Colgate* (1919), *Monsanto v. Spray-Rite* (1984), *Business Electronics v. Sharp* (1988) and *Leegin v. PSKS* (2007)—have recognized that a supplier may establish the terms and conditions under which it will sell its products, including the terms and conditions affecting retail price. Particularly in the resale pricing area, such terms and conditions should be determined by the supplier unilaterally, *i.e.*, without agreeing with any of its customers. Although there generally is more latitude in matters relating to advertising and marketing matters, Channellock will not discuss conditions of acceptance of the Policies nor solicit or accept any assurances of compliance in order to maintain the Policies as unilateral.

In Canada, a 2009 amendment to the Competition Act treats minimum resale price policies as lawful, unless they can be proven on balance to be unreasonably anticompetitive—a standard that provides Channellock with considerable flexibility. The same test applies to the other restrictions in the Policies under both the law of the USA and Canada.

38. Do the concerns in the USA about discussing the Policies mean that Channellock cannot explain the Policies?

No. Channellock will answer questions about the Policies, but it will not do anything that may change the nature of the Policies into something other than unilateral. As a result, Channellock cannot give any warning to a Channel Partner violating the Policies, nor can it ask for or accept pledges of compliance from Channel Partners.

All questions or requests for additional information regarding the Policies and all information regarding potential violations of the Policies must be in writing and are to be addressed to the following person at Channellock responsible for the Policies (“**Policy Administrator**”):

Only the Policy Administrator or the Policy Administrator's designated representative(s) is or are authorized by Channellock to answer questions regarding the Policies, to comment on the Policies or to accept information regarding potential violations. Except for the Policy Administrator and such representative(s), no Channellock employee or independent sales representative has authority to comment upon or to take any action under the Policies.

39. Will Channel Partners that follow the Policies violate the law?

No. But, particularly in the USA, they should avoid communicating to Channellock their acceptance of the Policies or their compliance with them. Honoring the Policies by offering or selling any or all of the Covered Products at or above each relevant MRP or avoiding certain conduct or the use of certain terms is not communicating acceptance or compliance.

40. If a Channel Partner notifies Channellock that another Channel Partner has violated the Policies, may Channellock act on this information?

Yes. Such notification must be in writing addressed to the Policy Administrator and document the apparent violation. Channellock will investigate and, if warranted, take action against the Channel Partner violating the Policies, but in no event will Channellock agree with the Channel Partner that contacted it on a specific resale price. (A Channel Partner choosing to follow the Policies is not an agreement.) In addition, Channellock will not disclose to the Channel Partner that contacts it the outcome of its investigation, as, although Channellock enforces its policies uniformly, all of the dealings between the company and its Channel Partners are confidential. Channellock also may use the services of one or more outside firms to monitor compliance with the Policies.

41. Why are the rules so strict?

In order to comply with the standards established by the law, Channellock must carefully stay within its boundaries.

42. How long will the Policies be in effect?

The Policies will remain in effect until Channellock provides Channellock Notice otherwise, but Channellock may modify or suspend the Policies at any time, including, among other things, by changing their terms and conditions in any way. It also may grant variances as it deems appropriate for limited-time promotional offers and the like.

43. Can Channellock add other products or services to the Policies and establish minimum offering and selling prices for them, remove certain products or services from coverage under the Policies or change the MRP for a Covered Product?

Yes. Channellock may do so at any time.

44. Are other companies doing this?

Yes. Many manufacturers in the tool industry and others have adopted policies to address the same or similar concerns as those faced by Channellock.

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CHANNELLOCK, INC.
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BRAND PROTECTION POLICIES FOR CHANNEL PARTNERS SUMMARY

This Summary describes the Brand Protection Policies for Channel Partners (the "BP Policies") effective October 1, 2019 adopted by Channellock, Inc. ("Channellock") in the United States and Canada. Since this is only a brief outline of certain elements, the BP Policies should be read carefully, and only their interpretation by Channellock controls.

1. Application: The BP Policies: (a) apply to each Channel Partner and (b) consist of two primary parts: (i) a policy regarding minimum resale price (the "**MRP Policy**"), which establishes a price below which specified Channellock Products may not be offered or sold and (ii) a policy dealing with advertising and marketing (the "**A&M Policy**"), which addresses how Channellock Products may be marketed. The MRP Policy applies to certain Channellock products, while the A&M Policy, unless otherwise noted, applies to all Channellock Products.

2. Channel Partner Definition: "**Channel Partner**" means an individual or entity located in either or both of the United States ("**USA**") and Canada that (a) promotes and sells one or more products offered by Channellock regardless of brand (collectively, "**Channellock Products**") to any or all actual and potential end user purchasers ("**end users**"), whether doing so directly or through another party or (b) is a Distributor, but only to the extent, if any, that such Distributor performs as a Channel Partner (*i.e.*, it promotes and sells to end users). "**Distributor**" means an individual or entity permitted by Channellock to sell to one or more Channel Partners.

3. The Covered Products: The MRP Policy establishes a minimum resale price ("**MRP**" and referring to either the singular or the plural or both, "**MRP(s)**") for each of the Channellock Products as specified by Channellock notice (individually, a "**Covered Product**"), including without limitation on the price list(s) or product list(s) provided or otherwise made available by Channellock (individually and collectively, the "**Covered Products List**"). Such list(s) may be changed by Channellock anytime, usually after no less than five days' advance notice.

4. Application of the MRP Policy: The MRP Policy applies to each form of marketing using or containing Price Information regarding one or more of the Covered Products used by or on behalf of a Channel Partner. **When applied to websites, Price Information found outside the cart (or other container), in the cart (or other container) and at checkout is subject to the MRP Policy.** "**Price Information**" means information relating to price.

5. Violations of the MRP Policy: Each Channel Partner is free to make its own pricing decisions, but a violation of the MRP Policy occurs when a Channel Partner offers or sells a Covered Product below its MRP.

6. Net Adjusted Price: In order to determine whether there is a violation, the MRP Policy compares a Channel Partner's offer or sales price for a Covered Product ("**Net Adjusted Price**") to the relevant MRP. The Net Adjusted Price includes all discounts, allowances, rebates, free goods and the like, whether provided at the time of sale or otherwise.

7. Things Considered Not Part of Net Adjusted Price:

- Rebates, etc.: Rebates, coupons and similar things from Channellock supplied directly to the end user or to Channel Partner for use by the end user.
- Gift Cards: Application of gift cards or store credit in a transaction separate from the purchase or award of such cards or credit (but gift cards or credit offered in connection with the purchase of an Covered Product will be considered a discount).
- Free Shipping: Free or reduced-price shipping.
- Taxes, etc.: Taxes, shipping, delivery and insurance charges, if paid by the end user.

8. Determining Net Adjusted Price in Bundles: A "**Bundle**" is a combination of one or more Channellock Products with one or more other products or services offered or sold together. To calculate the Net Adjusted Price of a Covered Product that is part of a Bundle:

- Free Goods: Subtract, in the case of free goods, services and similar benefits as part of a Bundle, the fair market value (as determined by Channellock) of all such goods, services and benefits or
- Reduced-Price Goods: Subtract, in the case of reduced-price goods, services and similar benefits as part of a Bundle, the difference between: (a) the fair market value (as determined by Channellock) of all such goods, services and benefits and (b) the amount to be paid or paid for such goods, services and benefits.

If the difference remaining is less than the MRP, there is a violation.

9. The MRP Policy Exemptions:

- Returns: Returns to Channellock or the Distributors.
- Special Programs: Offers or sales under special programs announced by Channellock.
- Multi-Item Discounts: Discounts that take Net Adjusted Price below MRP which are triggered by reaching certain quantity or dollar levels as long as (a) Channellock has approved the eligible Channellock products, (b) the Channel Partner complies with the terms of such approval and

(c) the benefit, when pro-rated among all the products involved, takes the price for each of the Covered Products included to no less than 95% of MRP.

- Storewide, Site-wide or Category-wide Promotions: Coupons, discounts, credits and rebates associated with storewide, site-wide or category-wide promotions that take Net Adjusted Price below MRP, as long as (a) Channellock has approved the eligible Channellock products and specified the MRP(s) for such promotion, (b) the Channel Partner complies with the terms of such approval and (c) the benefit may be applied to all or almost all the products offered by Channel Partner or, in the case of a category-wide promotion, at least two other brands in the same category.
- Card Benefits: Coupons, discounts, credits and rebates associated with use of a specified credit or debit card that take Net Adjusted Price below MRP, as long as (a) Channellock has approved the eligible Channellock products, (b) the Channel Partner complies with the terms of such approval, (c) the benefit may be applied to all or almost all the products offered by Channel Partner and (d) promotion of such benefit does not refer to or appear adjacent to any of the Covered Products or Channellock intellectual property.
- Loyalty Points: Accrual and application of loyalty points or other things of value ("**Loyalty Points**") that take Net Adjusted Price below MRP, as long as (a) Channellock has approved the eligible Channellock products, (b) Channel Partner complies with the terms of such approval, (c) accrual and application covers all or almost all of the products and services offered by Channel Partner; (d) the accumulation rate for Channellock products is no more than that for all or almost all other brands offered by Channel Partner and (e) promotion for such program does not refer to or appear adjacent to any of the MRP products or Channellock intellectual property.
- Military Exchanges: The offer or sale of any or all of the Covered Products below its or their MRP(s); provided that, such offer or sale: (a) is made by a Channel Partner that is or is a part of a military exchange; (b) is made only to end users eligible to shop at such exchange(s); and (c) is at a Net Adjusted Price that is no less than 70% of the MRP(s) or at another level specified by Channellock.
- Discontinued Products/Employee Offers: The MRP BP Policies does not apply to offers (a) of discontinued products or (b) to Channel Partner employees.

10. The A&M Policy: A Channel Partner violates the A&M Policy if it uses any Channellock intellectual property in a manner inconsistent with Channellock guidelines (the "**Usage Policies**") or not otherwise approved by Channellock or questions or challenges the intellectual property rights claimed by Channellock.

11. Other Violations of the BP Policies:

- Prohibited Terms: Using (a) terms like "prices too low to show," (b) any form of low price guarantee or price matching and (c) representing that a price below MRP is available.
- Promotion or Sale Restrictions: Promotion and sale (a) outside the USA and Canada; (b) using anything other than USA dollars in the USA and Canadian dollars in Canada; (c) using business disapproved by Channellock; (d) online using business names, storefronts, websites and marketplaces disapproved by Channellock; (e) in anything other than original packaging and without repackaging or relabeling (including creating or breaking multipacks); and (f) combining Channellock Products with others to create the impression that the others are supplied by or associated with Channellock.
- Resale: Promotion and sale (a) for resale (except for returns to Channellock or Distributors) and (b) to anyone other than end user customers authorized by Channellock.
- Online: Offering or selling anonymously or without disclosing Channel Partner's full contact information.
- ASINs/UPCs/Amazon: Creating new Amazon Standard Identification Numbers (ASINs) or Universal Product Codes (UPCs) and, if Channellock has approved selling on Amazon.com, listing Channellock Products as Prime or using Fulfilled by Amazon (FBA), unless also approved by Channellock.
- Deceptive Behavior: Engaging in false or deceptive behavior.
- Domains: Using Channellock intellectual property as part of any domain names.
- Gun-Jumping: Offering or selling using Channellock-designated Programming (*i.e.*, promotional payments, allowances, rebates or discounts) prior to the release dates set by Channellock for new products or promotions.
- Purchasing: Purchasing any or all Channellock Products from anyone other than Channellock, a Distributor or, in the case of bona fide returns only, an end user.
- Modifications: Offering or selling modified or counterfeit Channellock products.
- MRP Descriptions: Stating or implying that any or all of the Covered Products are subject to an MRP or similar policy.
- Auction Sites: Offering or selling any of the Covered Products on auction sites or any site using an auction format or a make-an-offer format.

- Failure to Exclude: Failure to expressly exclude the Covered Products from general sales (such as “Save 25% on Hand Tools”) that takes Net Adjusted Price below the MRP(s).
- Invitations: Invitations to click, rollover, call, email, visit a location or otherwise communicate to obtain a price or coupon code.
- Pick-up Discounts: If such discounts take Net Adjusted Price below MRP(s).
- Group Pricing: Pricing to groups at less than MRP(s).
- Trade-in Offers: Involving any of the Covered Products.
- Requests: Failing to promptly and effectively respond to questions and requests.
- Not Itemizing: Failure to Itemize prices in customer communication regarding the Covered Products.
- Circumvention: Efforts to circumvent the BP Policies (as determined by Channellock).

12. Grandfathering: Channel Partner does not violate the BP Policies by conduct that, as determined by Channellock, cannot reasonably be modified prior to the effective date of the BP Policies or the effective date of a change in the MRP(s), the Covered Products, the Usage Policies or the BP Policies until such time that it is reasonable to modify such conduct (as determined by Channellock) to be consistent with the BP Policies, as long as, if the BP Policies was in place at the time such conduct occurred, it complied with its then-current terms.

13. Consequences of Violations:

- First Violation: Notice followed by stopping the violation within 24 hours or the time period specified by Channellock (if the violation already has stopped, a violation has still occurred).
- Second Violation: Any or all of the following will occur: (a), in the case of orders for any or all items of Channellock Products submitted by a Channel Partner directly to Channellock (“**Direct Orders**”), the implicit discount of five percent (5%) for advertising and promoting Channellock Products (the “**Implicit Discount**”) will be lost for such products during the one-hundred twenty (120) day period specified by Channellock, so that the acquisition price paid by such Channel Partner for each such product is increased by five percent (5%); (b) all accrued, but unpaid, Programming for such Channel Partner will be lost and no additional Programming will be earned or paid during the longer of (i) the remainder of the then-current calendar year or (ii) the one-hundred twenty (120) day period specified by Channellock; and (c), continuing for the next thirty (30) days, the authorization of such Channel Partner to purchase any or all of the Channellock Products will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner.
- Third Violation: Any or all of the following will occur: (a), in the case of Direct Orders, the Implicit Discount will be lost for such products during the one-hundred twenty (120) day period specified by Channellock, so that the acquisition price paid by such Channel Partner for each such product is increased by five percent (5%); (b) all accrued, but unpaid, Programming for such Channel Partner will be lost and no additional Programming will be earned or paid during the longer of (i) the remainder of the then-current calendar year or (ii) the one-hundred twenty (120) day period specified by Channellock; and (c), continuing for the next sixty (60) days, the authorization of such Channel Partner to purchase any or all of the Channellock Products will be immediately revoked by Channellock, so that all pending orders (even if accepted) from such Channel Partner will be cancelled and no new orders will be accepted from such Channel Partner. (If any or all of the time periods specified for the Second Violation have not run when the Third Violation occurs, Channellock may begin the time period(s) for the Third Violation after that or those for the Second Violation have concluded.)
- Fourth Violation: Loss of access to all Channellock products designated by Channellock (the “**Designated Products**”) for an indefinite period.
- Additional Violation: If the Designated Products do not include all Channellock products or Channellock has re-authorized Channel Partner to purchase the Designated Products, each new violation will be treated like a Fourth Violation.
- Failure to Stop: The failure to stop violative conduct within the time period specified by Channellock will result in a subsequent violation.

14. Enforcement of the BP Policies: For each Channel Partner that buys from a Distributor, the BP Policies will be enforced through Do-Not-Sell List.

15. Questions or Comments: Must be writing addressed to: **Policy Administrator, Channellock Inc., 1306 South Main Street, Meadville, PA USA 16335 • email: compliance@channellock.com**

Only the Policy Administrator or the Policy Administrator’s designated representative(s) is or are authorized by Channellock to answer questions regarding the BP Policies, to comment on the BP Policies or to accept information regarding potential violations. Except for the Policy Administrator and such representative(s), no Channellock employee or independent sales representative has authority to comment upon or to take any action under the BP Policies.

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CHANNELLOCK, INC.

1306 South Main Street
Meadville, PA U.S.A. 16335
www.channellock.com
TTY/TDD: 1-800-654-5984 or 711

Channellock, Inc. Reseller Brand Protection Policy

Channellock, Inc. (“BRAND”) hereby adopts this Reseller Brand Protection Policy (“Policy”) in order to protect its trademarks, service marks, certification marks, logos, and copyrighted material and prevent consumer confusion. BRAND requires that each authorized person or entity (a “Reseller”) that purchases BRAND products (the “Products”) for resale or other distribution to agree to comply with this Policy. **Any unauthorized or improper use of BRAND’s trademarks may constitute infringement and unfair competition in violation of federal, state, and international laws.** If you are an authorized BRAND Reseller, please consult your BRAND agreement for specific additional requirements applicable to your use of BRAND’s trademarks.

Reseller may use BRAND trademarks (but not logos or taglines) to identify BRAND products, services, and programs on packaging, promotional, and advertising materials, provided Reseller complies with the following guidelines:

1. General Trademark Guidelines

- a. Reseller may not include any BRAND trademark in its company name, product or service name, or domain name.
- b. Unless Reseller is licensed by BRAND under a licensing agreement, Reseller will not use BRAND logos.
- c. Reseller’s company or product name may not be confusingly similar to any BRAND trademark and Reseller may not use BRAND trademarks in any manner that directly or indirectly implies BRAND sponsorship, affiliation, certification, approval, or endorsement of Reseller or its products.
- d. Reseller may not shorten, abbreviate, or modify any BRAND trademark.
- e. Reseller should include the following trademark attribution statement when it uses BRAND trademarks: “[List of marks used] are trademarks of BRAND.”
- f. Reseller shall sell Products in their original packaging and may not remove or modify any labels, specifications, images, advertising and/or any other content related to the Products.

2. **No Resale on Online Marketplaces.** Reseller may not advertise or sell the Products on any third-party online marketplace or to any distributors or resellers for further sale or distribution on any third-party online marketplace without BRAND’s written consent.

3. **Reseller’s Company Brand.** Resellers may use the BRAND name, or any factual phrase, to describe their business, as in for example: “We sell BRAND products,” provided that the statement is true. Reseller must lead with its own company brand and cannot lead with the BRAND name. Reseller is not permitted to use the BRAND name in a manner that would lead consumers to believe that Reseller has an association or affiliation with BRAND that does not exist.



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4. **Compliance with BRAND's Policies.** Reseller is required to comply with BRAND's Minimum Resale Pricing Policy ("MRP") Policy [link]. Reseller must handle and store the Products in compliance with BRAND's storage and handling policies [link]. Reseller must comply with BRAND's warranty and customer support obligations [link]. Reseller may not engage in any unfair business practices, false advertising, or fraud or modify BRAND's warranty.

5. **Copyrights.** Use of BRAND's copyrighted material is strictly prohibited without prior approval from BRAND. Such materials include, but are not limited to, content and text displayed on BRAND's website, mobile applications, or other documentation, photographs, diagrams, videos, images, and sound clips. If authorized, Reseller's use of BRAND's copyrighted material must be accompanied by BRAND's copyright notice.

This Policy is incorporated into any contract entered into between BRAND and Reseller with respect to Reseller's purchase or sale of the Products. In the event of a conflict between the applicable agreement and this Policy, the terms of the agreement will control. BRAND may amend this Policy at any time. BRAND reserves the right to prohibit any use of its trademarks that BRAND, in its sole discretion, deems unlawful or improper, even if such use is not expressly prohibited hereunder.