

**RELATED PERSON TRANSACTION POLICY
OF
TILE SHOP HOLDINGS, INC.**

General Policy

The Code of Business Conduct and Ethics of Tile Shop Holdings, Inc. (together with its subsidiaries, the “Company”) prohibits officers, directors, and employees of the Company from engaging in transactions that constitute personal conflicts of interest. Further, the Company shall disclose information regarding Related Person Transactions (as defined herein) that is required to be disclosed by the Company pursuant to regulations promulgated by the United States Securities and Exchange Commission (the “SEC”), in its proxy statement, Annual Report on Form 10-K, and other filings made with the SEC where the amount involved in the Related Person Transaction at issue exceeds \$120,000. The policies and procedures set forth herein are designed to allow the Company to (a) review, approve or ratify personal conflicts of interest as they pertain to Related Persons (as defined herein) and (b) comply with the disclosure obligations set forth above.

Definitions

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Executive Officer” has the meaning ascribed to such term in Rule 3b-7 promulgated under the Exchange Act.

“Immediate Family Member” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, director nominee, Executive Officer, or Significant Shareholder (as defined herein) of the Company and any person (other than a tenant or employee) sharing the household of such director, director nominee, Executive Officer, or Significant Shareholder of the Company.

“Related Person” means any director, director nominee, former director who left the Board within the previous twelve (12) months, Executive Officer, or Significant Stockholder of the Company and any Immediate Family Member of any such person, together with any person who was in any of such categories at any time within the previous twelve (12) months, including where the status as a Related Person arose after a transaction was entered into so long as the transaction continued after the person became a Related Person.

“Related Person Transaction” means a consummated or currently proposed transaction, including any indebtedness or a guarantee of indebtedness, in which the Company was or is to be a participant, the amount involved exceeds \$50,000, and the Related Person had or will have a direct or indirect material interest.

Notwithstanding the foregoing, a Related Person Transaction does not include:

- The payment of compensation by the Company to an Executive Officer or director of the Company;

- A transaction in which the interest of the Related Person arises solely from ownership of a class of securities of the Company where all holders of that class of securities receive the same benefit, on a pro-rata basis, from the transaction; or
- A transaction in which the rates or charges involved are determined by competitive bids.

A Related Person is not deemed to have a material interest in a transaction in the ordinary course of the Company's business if that Related Person's interest arises only from:

- The Related Person's position as a director of another party to the transaction;
- The ownership by such Related Person and all other Related Persons, in the aggregate, of less than a 5% equity interest in another person or entity (other than a partnership) that is a party to the transaction;
- Both such a Related Person's position as a director and such Related Person's ownership interest, as set forth above; or
- Such Related Person's position as a limited partner in a partnership in which such Related Person and all other Related Persons, in the aggregate, hold an interest of less than 5%, provided that such Related Person is not a general partner of, and does not hold another position in, the partnership.

"Required Information" means:

- The name of the Related Person and, if he or she is an Immediate Family Member, the nature of such Immediate Family Member's relationship with the director, director nominee, Executive Officer, or Significant Shareholder of the Company;
- The Related Person's interest in the transaction, including the Related Person's position(s) or relationship(s) with, or ownership of, a firm, corporation, or other person or entity that is a party to, or has an interest in the transaction;
- The approximate dollar value of the amount involved in the transaction;
- The approximate dollar value of the amount of the Related Person's interest in the transaction, computed without regard to the amount of profit or loss; and
- In the case of indebtedness, the largest total amount of principal outstanding since the beginning of the Company last fiscal year, the amount of principal outstanding as of the last practicable date, the amount of principal paid since the beginning of the Company last fiscal year and the rate or amount of interest payable on the indebtedness.

"Significant Stockholder" means any beneficial owner of more than 5% of any class of the Company's voting securities.

Procedures

Each director, director nominee, and Executive Officer of the Company shall disclose to the Audit Committee of the Board of Directors of the Company (the “Audit Committee”) the Required Information relating to any Related Person Transaction to which such director, director nominee, Executive Officer, or any Immediate Family Member of such any individual, is a party, for review, approval or ratification by the Audit Committee. Such disclosure to the Audit Committee should occur before, if possible, or as soon as practicable after the Related Person Transaction is consummated, but in any event as soon as practicable after the director, director nominee or Executive Officer becomes aware of the Related Person Transaction. Such disclosure by the Audit Committee should be updated for any material changes. Further, each director and Executive Officer of the Company shall fully complete the questionnaire sent at least annually by the Company to such individual and shall disclose the Required Information with regard to any proposed Related Person Transaction or any Related Person Transaction consummated since the beginning of the Company’s last fiscal year. It is incumbent on each Related Person to promptly notify the Company of any potential Related Person Transaction on a real time basis and any change in his or her family, employment, investment or other relationships that might result in a Related Person Transaction. Any director, director nominee, or Executive Officer of the Company who becomes aware of a Related Person Transaction between the Company and Significant Stockholder shall, as soon as practicable, disclose to the Audit Committee the Required Information with respect to such Related Person Transaction. At the time the Company becomes aware of a security holder’s status as a beneficial owner of more than 5% of any class of the Company’s voting securities, and annually thereafter for so long as such ownership status is maintained, the Company shall request information from such security holder as the Company deems necessary and prudent to identify potential Related Persons Transactions. All requirements in this paragraph requiring timely and accurate reporting to the Audit Committee are mandatory. The Audit Committee shall consider appropriate remedial or disciplinary action for any failures to adhere to these requirements.

No Related Person Transaction shall be consummated unless the Audit Committee has approved or ratified such transaction in accordance with the guidelines set forth herein. The Related Person may not participate in the Audit Committee’s review of the transaction. In determining whether or not to approve or ratify a Related Person Transaction, the Audit Committee shall consider (a) the relevant facts and circumstances of the Related Person Transaction, including if the Related Person Transaction is on terms no less favorable to the Company than those that could be obtained in arm’s length dealings with an unrelated third-party, (b) the extent of the Related Person’s interest in the Related Person Transaction, (c) whether the Related Person Transaction contravenes the conflict of interest and corporate opportunity provisions of the Company’s Code of Business Conduct and Ethics, (d) the input of the Chief Financial Officer following due consultation, (e) whether the relationship underlying the Related Person Transaction at issue is believed to serve the best interest of the Company and its stockholders, and (f) the effect that a director’s Related Person Transaction may have on such director’s status as an independent member of the Board and eligibility to serve on committees of the Board pursuant to SEC rules and applicable stock exchange listing standards. As condition of its approval of the Related Person Transaction, the Audit Committee may impose such terms and conditions as it deems appropriate on the Company or the Related Person.

No director shall participate in any discussion of, or decision concerning, a Related Person Transaction as to which he or she is a Related Person (except that the director shall provide the Required Information regarding the Related Person Transaction to the Audit Committee).

In the event the Company becomes aware of a Related Person Transaction that has not been previously approved or previously ratified under this policy:

- If the transaction is pending or ongoing, it will be submitted to the Audit Committee or, where it is not practicable for the Company to wait until the next Audit Committee meeting, to the Chair of the Audit Committee promptly, and the Audit Committee or Chair, with consultation with the Chief Financial Officer, shall consider all of the relevant facts and circumstances. Based on the conclusions reached, the Audit Committee or the Chair shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction; and
- If the transaction is completed, the Audit Committee or, where it is not practicable for the Company to wait until the next Audit Committee meeting, the Chair of the Audit Committee, with consultation from the Chief Financial Officer, shall evaluate the transaction to determine if rescission of the transaction is appropriate. In addition, the Audit committee must evaluate the Company's controls and procedures to ascertain the reasons the transaction was not identified as a Related Person Transaction, and whether any changes to these procedures are recommended.

All Related Person Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations. The material features of this policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules, and regulations.

Amendment

The Company reserves the right to amend, supplement or discontinue this Code at any time and without prior notice, and the Audit Committee of the Board of Directors, with input from external counsel, will review this policy at least annually.