

UNITES STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 30, 2014

TILE SHOP HOLDINGS, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation)

001-35629

(Commission File Number)

45-5538095

(IRS Employer Identification No.)

14000 Carlson Parkway, Plymouth, Minnesota 55441

(Address of principal executive offices, including ZIP code)

(763) 852-2901

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

The information set forth under Item 5.02 below in this Form 8-K is incorporated by reference in response to this Item 1.01.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On June 30, 2014, Tile Shop Holdings, Inc. (the "Company") announced the appointment of Kirk Geadelmann as its new Chief Financial Officer. Mr. Geadelmann will transition into the role on August 12, 2014, succeeding Chief Financial Officer Timothy C. Clayton, who has resigned his position from the Company to pursue another executive position.

Kirk Geadelmann is a seasoned financial manager whose 23 years of professional experience includes a blend of financial and operational accomplishments, primarily in the retail industry. Prior to joining the Company, Mr. Geadelmann worked for 14 years at Best Buy, Inc., most recently serving as the corporate and international controller. During his tenure at Best Buy, Mr. Geadelmann was responsible for overseeing business planning, performance management, financial accounting and SEC reporting functions. Prior to Best Buy, he held roles with BMC Manufacturing, Arthur Andersen, Allianz Insurance and Coopers & Lybrand, where he earned his CPA certification.

Mr. Geadelmann was not appointed pursuant to any arrangement or understanding with any person, and Mr. Geadelmann does not have any family relationships with any directors or executive officers of the Company. Neither Mr. Geadelmann nor any "related person" (as that term is defined under Item 404(a) of Regulation S-K) has had a direct or indirect material interest in any transaction with the Company since the beginning of the Company's last fiscal year, nor is any such transaction currently proposed, that would be reportable under Item 404(a) of Regulation S-K.

Mr. Geadelmann's employment is at will and his employment agreement ("Employment Agreement") provides for an annual base salary of \$210,000. Mr. Geadelmann will be eligible to receive an annual cash bonus for calendar year 2014 and subsequent years based on the Company achieving a target EBITDA level for each year, as determined by the Compensation Committee of the Board of Directors, and accomplishment of personal goals and objectives as agreed upon by Mr. Geadelmann and the Company's Chief Operating Officer. Mr. Geadelmann's target cash bonus compensation is equal to 50% of his base salary.

Upon joining the Company, Mr. Geadelmann will be granted an incentive stock option to purchase 100,000 shares of the Company's common stock pursuant to the Company's 2012 Omnibus Award Plan. The stock options will be exercisable at 100% of the fair market value of the Company's common stock on the date of grant, will vest in equal installments over a five year period beginning on the first anniversary date of the date of grant and expire 7 years from the date of the grant. This option will be governed by the 2012 Omnibus Award Plan and the form of award agreement.

Under the Employment Agreement, Mr. Geadelmann is subject to traditional confidentiality and assignment of inventions provisions, as well as non-competition and non-solicitation restrictions during the term of his employment with the Company and for one year following termination of his employment with the Company for any reason.

The foregoing description of Mr. Geadelmann's Employment Agreement is not complete and is qualified in its entirety by reference to the Employment Agreement attached hereto as Exhibit 10.1, which is incorporated herein by reference.

Although Mr. Clayton will transition from the role of Chief Financial Officer and Senior Vice President effective as of the close of business on August 11, 2014, he will remain a Company employee through the close of business on August 22, 2014 to assist in transition matters. Mr. Clayton will continue to receive his current salary through August 22, 2014, and his current benefits through August 31, 2014. In connection with his transition, Mr. Clayton entered into an amendment to his employment agreement with the Company dated June 30, 2014 (the "Amendment"). Pursuant to the terms of the Amendment, the Company will extend the exercise period of all then vested and unexpired options until December 31, 2015.

The foregoing description of Mr. Clayton's Amendment to his employment agreement is not complete and is qualified in its entirety by reference to the Amendment attached hereto as Exhibit 10.2, which is incorporated herein by reference.

Item 8.01 Other Information.

On June 30, 2014, the Company issued a press release announcing the appointment of Mr. Geadelmann as the Company's Chief Financial Officer, and the resignation of Mr. Clayton as the Company's Chief Financial Officer and Senior Vice President. A copy of the Company's press release is attached as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired: None.

(b) Pro Forma Financial Information: None.

(c) Shell Company Transactions: None.

(d) Exhibits:

- 10.1 Employment Agreement, by and between the Company and Kirk Geadelmann, dated June 30, 2014.
 - 10.2 Amendment to Employment Agreement, by and between the Company and Timothy C. Clayton, dated June 30, 2014.
 - 99.1 Press Release dated June 30, 2014.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TILE SHOP HOLDINGS, INC.

By: /s/ Chris Homeister

Name: Chris Homeister

Title: Chief Operating Officer

Date: July 3, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

TILE SHOP HOLDINGS, INC.
EXHIBIT INDEX TO FORM 8-K

Date of Report:
June 30, 2014

Commission File No.:
001-35629

Exhibit No. **ITEM**

10.1	Employment Agreement, by and between the Company and Kirk Gadelmann, dated June 30, 2014.
10.2	Amendment to Employment Agreement, by and between the Company and Timothy C. Clayton, dated June 30, 2014.
99.1	Press Release dated June 30, 2014.

TILE SHOP HOLDINGS, INC.
14000 Carlson Parkway
Plymouth, Minnesota 55441

Kirk Geadelmann
3420 Kings Point Road
Excelsior, MN 55331

June 30, 2014

Dear Kirk:

We are delighted to offer you a position at Tile Shop Holdings, Inc. (the "Company"). This letter serves to confirm the terms of our offer of employment:

Position: Chief Financial Officer

Start date: August 12, 2014

Prior to your official start date, the employee will visit all Twin Cities metropolitan stores with members of the executive management team, visit one Distribution Center, visit our Lincoln Park, IL store, and will spend approximately 80 hours with the departing CFO to review quarter-end filings, investor presentations, meet with auditors and transition banking relationships, and review outstanding matters that will transition to the employee.

In addition, the employee will be available on Tuesday, July 22nd – which is the next regularly scheduled board meeting to meet board members that the employee has not met. Participation on the earnings call on Tuesday, July 29th will also be necessary in order to introduce the candidate to Wall Street investment analysts and the general investing public.

Status: Full-time, Regular

Reporting to: You will report to Chris Homeister, the COO, as he will direct your day-to-day responsibilities and you will work closely with other senior officers of the Company including Bob Rucker, the founder and CEO

Compensation: Base salary (annualized) of \$210,000, paid in accordance with the Company's normal payroll procedures.

You should note that the Company may modify salaries and benefits from time to time as its Board of Directors or the Compensation Committee thereof deems necessary or appropriate, and all forms of compensation which are referred to in this offer letter are subject to applicable withholding and payroll taxes.

Bonus: The Bonus opportunity would be 50% of pay and it would be based on achieving Company-wide goals and personal goals and objectives, pro-rated for the partial year during which you are employed by the Company.

For the 2014 calendar year and subsequent calendar years, and subject to approval of the Compensation Committee, you will be eligible for an annual cash bonus based on a combination of factors including 1) the Company achieving a target EBITDA level for 2014, as determined by the Compensation Committee prior to the beginning of the 2013 calendar year and 2) accomplishment of personal goals and objectives as agreed upon by you and the COO.

Benefits: You will be eligible to receive the Company's standard benefit package for employees of your level.

Stock Options: Subject to approval by the Company's Board of Directors, you will be granted options to purchase 100,000 shares of the Company's common stock. The exercise price of the options will be the fair market value of the Company's common stock as of the date of grant. These options will vest over a five year period and will otherwise be subject to the terms of the Company's 2012 Equity Award Plan (the "Plan") and your Stock Option Agreement entered into pursuant thereto. The options will vest evenly over the course of 5 years at 20% per year. The options will have a 7 year life upon issuance.

Vacation: 3 weeks

If a copy of your Social Security Card is not already on file with the Company, please provide the Company with your Social Security Card when you execute and return this letter. We will make a copy of your card and it will be kept in your employee file for payroll purposes.

Please understand that your employment with the Company is for no specified period and constitutes "at-will" employment. As a result, you are free to resign at any time, for any reason or for no reason, with or without notice. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without notice.

The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. Your job offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States, if you have not already done so. Such documentation must be provided to the Company within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

Like all Company employees of your level, you will be required, as a condition of your employment with the Company, to sign the Company's Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement, a copy of which is attached hereto as Exhibit A (the "Non-Competition and Non-Disclosure Agreement").

You agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company.

To indicate your acceptance of our offer, please sign and date the attached Acceptance and Acknowledgement. This letter, along with the Company's Non-Competition and Non-Disclosure Agreement, set forth the terms of your employment with the Company and supersede any prior representations or agreements, whether written or oral. This letter may not be modified or amended except by a written agreement, signed by an Officer of the Company and by you.

Kirk, we are looking forward to your arrival and expect your direct contributions to have a significant positive impact on the organization.

Chris Homeister, COO
TILE SHOP HOLDINGS, INC.

ACCEPTANCE AND ACKNOWLEDGMENT

I accept the offer of employment from the Company as set forth in the offer letter dated June 30, 2014. I understand and acknowledge that my employment with the Company is for no particular duration and is at-will, meaning that I, or the Company, may terminate the employment relationship at any time, with or without cause and with or without prior notice. Additionally, I acknowledge that the Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees, and that my job offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

I understand and agree that the terms and conditions set forth in the offer letter represent the entire agreement between the Company and me superseding all prior negotiations and agreements, whether written or oral. I understand that the terms and conditions described in the offer letter, along with the Company's Non-Competition and Non-Disclosure Agreement are the terms and conditions of my employment. No one other than an Officer of the Company is authorized to sign any employment or other agreement which modifies the terms of the offer letter and the Company's Non-Competition and Non-Disclosure Agreement, and any such modification must be in writing and signed by such individual. I understand that the Company may modify salary and benefits as well as other plans and programs from time to time as its Board of Directors or the Compensation Committee thereof deems necessary or appropriate

Signature: /s/ Kirk Gadelmann

Printed Name: Kirk Gadelmann

Date: June 30, 2014

EXHIBIT A

**TILE SHOP HOLDINGS, INC.
NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT**

THIS NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT (this “**Agreement**”) is made this the 30th day of June 2014, by and between Tile Shop Holdings, Inc., a Delaware corporation and its subsidiaries (collectively with any predecessors, successors, and assignees, the “**Company**”), and (“**I**” or “**me**”), to be effective on (the “**Effective Date**”).

In consideration of my engagement or continued engagement as an officer, employee, director, advisor, partner, independent contractor or consultant of the Company (an “**Associate**”), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby agree as follows:

1. DEFINITIONS.

1.1. “**Affiliate**” means any direct or indirect subsidiary of the Company.

1.2. “**Confidential Information**” means any and all confidential and/or proprietary knowledge, data or information concerning the business, business relationships and financial affairs of the Company or its Affiliates whether or not in writing and whether or not labeled or identified as confidential or proprietary. By way of illustration, but not limitation, Confidential Information includes: (a) Inventions and (b) research and development activities of the Company or its Affiliates, services and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information and information disclosed to the Company or its Affiliates or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and/or source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, laboratory notebooks, supplier and customer lists, internal financial data and other documents and records of the Company or its Affiliates.

1.3. “**Inventions**” means all ideas, concepts, discoveries, inventions, developments, improvements, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, original works of authorship, software programs, software and systems documentation, trade secrets, technical data, or licenses to use (whether or not patentable or registrable under copyright or similar statutes), that are or were made, conceived, devised, invented, developed or reduced to practice or tangible medium by me, either alone or jointly with others (a) during any period that I am an Associate of the Company, whether or not during normal working hours or on the premises of the Company, which relate, directly or indirectly, to the business of the Company or its Affiliates, (b) at the request of or for the benefit of the Company during any period prior to my engagement as an Associate of the Company which relate, directly or indirectly, to the business of the Company or its Affiliates, or (c) which arise out of, or are incidental to, my engagement as an Associate of the Company.

1.4. “**Prior Inventions**” means any inventions made, conceived, devised, invented, developed or first reduced to practice by me, under my direction or jointly with others prior to the date of this Agreement and which do not constitute Inventions within the meaning of Section 1.3 above.

1.5. “**Third Party Information**” means any confidential or proprietary information received by the Company or its Affiliates from third parties.

2. CONFIDENTIALITY.

2.1. Recognition of the Company's Rights. I understand that the Company continually obtains and develops valuable Confidential Information which may or has become known to me in connection with my engagement as an Associate of the Company. I acknowledge that all Confidential Information is and shall remain the exclusive property of the Company or the third party providing such Confidential Information to myself, the Company, or the Company's Affiliates.

2.2. Nondisclosure of Confidential Information. I agree that during the term of my engagement as an Associate of the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon, publish or otherwise make available to any third party (other than personnel of the Company or its Affiliates who need to know such information in connection with their work for the Company), any Confidential Information of the Company, except as such disclosure, use or publication may be required in connection with my work for the Company, or as expressly authorized in writing by an executive officer of the Company. I agree that I shall use such Confidential Information only in the performance of my duties for the Company and in accordance with any Company policies with respect to the protection of Confidential Information. I agree not to use such Confidential Information for my own benefit or for the benefit of any other person or business entity.

2.3. Third Party Information. In addition, I understand that the Company has received and in the future will receive Third Party Information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my engagement as an Associate of the Company and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its Affiliates who need to know such information in connection with the performance of their duties for the Company) or use any Third Party Information, except as such disclosure or use may be required in connection with the performance of my duties for the Company, or as expressly authorized in writing by an executive officer of the Company.

2.4. Exceptions. My obligations under Sections 2.2 and 2.3 hereof shall not apply to the extent that certain Confidential Information: (a) is or becomes generally known within the Company's industry through no fault of mine; (b) was known to me at the time it was disclosed as evidenced by my written records at the time of disclosure; (c) is lawfully and in good faith made available to me by a third party who did not derive it from the Company or the Company's Affiliates and who imposes no obligation of confidence to me, the Company, or the Company's Affiliates; or (d) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

2.5. Protection and Return of Confidential Information. I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the premises of the Company, except to the extent necessary in the performance of my duties for the Company or unless expressly authorized in writing by an executive officer of the Company. Upon the termination of my engagement as an Associate of the Company, or at any time upon the Company's request, I shall return immediately to the Company any and all notes, memoranda, specifications, devices, formulas and documents, together with copies thereof, and any other material containing or disclosing any Confidential Information of the Company or Third Party Information then in my possession or under my control.

3. ASSIGNMENT OF INVENTIONS.

3.1. Ownership of Inventions. I acknowledge that all Inventions already existing at the date of this Agreement or which arise after the date of this Agreement, belong to and are the absolute property of the Company and will not be used by me for any purpose other than carrying out my duties as an Associate of the Company.

3.2. Assignment of Inventions; Enforcement of Rights. Subject to Section 3.6, I hereby assign and agree to assign in the future to the Company all of my right, title and interest to any and all Inventions and any and all related patent rights, copyrights and applications and registrations therefore. I also agree to assign all my right, title and interest in and to any particular Inventions to a third party as directed by the Company. During and after my engagement as an Associate of the Company, I shall cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions and I shall execute all documents which the Company shall reasonably request in order to perfect the Company's rights in the Inventions. I hereby appoint the Company my attorney to execute and deliver any such documents on my behalf in the event I should fail or refuse to do so within a reasonable period following the Company's request. I understand that, to the extent this Agreement shall be construed in accordance with the laws of any country or state which limits the assignability to the Company of certain inventions, this Agreement shall be interpreted not to apply to any such invention which a court rules or the Company agrees is subject to such limitation.

3.3. Works for Hire. I acknowledge that all original works of authorship made by me (solely or jointly with others) within the scope of my engagement as an Associate of the Company or any prior engagement by the Company, which are protectable by copyright are intended to be "works made for hire", as that term is defined in Section 101 of the United States Copyright Act of 1976 (the "Act"), and shall be the property of the Company and the Company shall be the sole author within the meaning of the Act. If the copyright to any such copyrightable work shall not be the property of the Company by operation of law, I will, without further consideration, assign to the Company all of my right, title and interest in such copyrightable work and will cooperate with the Company and its designees, at the Company's expense, to secure, maintain and defend for the Company's benefit copyrights and any extensions and renewals thereof on any and all such work. I hereby waive all claims to moral rights in any Inventions.

3.4. Records. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Inventions made by me during the period of my engagement as an Associate of the Company or any prior engagement by the Company, which records shall be available to and remain the sole property of the Company at all times.

3.5. Obligation to Keep Company Informed. During the period of my engagement as an Associate of the Company, and for six (6) months after termination of my engagement as an Associate of the Company, I agree to promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of my engagement as an Associate of the Company..

3.6. Prior Inventions. I further represent that the attached Schedule A contains a complete list of all Prior Inventions. Such Prior Inventions are considered to be my property or the property of third parties and are not assigned to the Company hereunder. If there is no such Schedule A attached hereto, I represent that there are no such Prior Inventions. If I am claiming any Prior Inventions on Schedule A, I agree that, if in the course of my engagement as an Associate of the Company or any prior engagement by the Company, I incorporate any Prior Invention into a Company product, process or machine, the Company shall automatically be granted and shall have a non-exclusive, royalty-free, irrevocable, transferable, perpetual, world-wide license (with rights to sublicense) to make, have made, modify, use and sell such Prior Invention as part of, or in connection with, such product, process or machine. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

4. OTHER AGREEMENTS.

4.1. No Conflicting Obligations. I hereby represent to the Company that, except as identified on Schedule B, I am not bound by any agreement or any other previous or existing business relationship which conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement with the Company) during my engagement as an Associate of the Company. I agree I will not enter into, any agreement either written or oral that conflicts with this Agreement.

4.2. No Improper Use of Information of Prior Employers or Others. I understand that the Company does not desire to acquire from me any trade secrets, know-how or confidential business information I may have acquired from others. Therefore, I agree during my engagement as an Associate of the Company, I will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer, or any other person or entity with whom I have an agreement or to whom I owe a duty to keep such information in confidence. Those persons or entities with whom I have such agreements or to whom I owe such a duty are identified on Schedule B.

5. **NON-COMPETITION.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not, without the Company's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Company or its Affiliates, (b) conduct a business of the type or character engaged in by the Company or its Affiliates at the time of termination or cessation of my engagement as an Associate of the Company, or (c) develop products or services competitive with those of the Company or its Affiliates.

6. **GENERAL NON-SOLICITATION.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not solicit, divert or take away, or attempt to divert or take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company or its Affiliates which were contacted, solicited or served by me while I was engaged as an Associate of the Company or any Affiliate.

7. **NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not directly or indirectly hire, recruit, or solicit any employee, independent contractor or consultant of the Company or its Affiliates, or induce or attempt to induce any employee independent contractor or consultant of the Company or its Affiliates to discontinue his or her relationship with the Company or its Affiliates.

8. **NOTICE OF SUBSEQUENT EMPLOYMENT OR ENGAGEMENT.** I shall, for a period of one (1) year after the termination or cessation of my engagement as an Associate of the Company, notify the Company of any change of address, and of any subsequent employment or engagement (stating the name and address of the employer and the nature of the position) or any other business activity.

9. GENERAL.

9.1. Assignment; Successors and Assigns. This Agreement may not be assigned by either party except that the Company may assign this Agreement to any Affiliate or in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

9.2. Entire Agreement. The obligations pursuant to Sections 2 and 3 of this Agreement shall apply to any time during which I was previously engaged as an Associate of the Company, or am in the future engaged as an Associate of the Company or any Affiliate if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

9.3. Severability. In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and all other provisions shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation without violation of such obligation.

9.4. Amendments and Waivers. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion if effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

9.5. Employment. I understand that this Agreement does not constitute a contract of employment or create an obligation on the part of the Company to continue my employment (if any) with the Company. I understand that my employment (if any) is "at will" and that my obligations under this Agreement shall not be affected by any change in my position, title or function with, or compensation, by the Company. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

9.6. Legal and Equitable Remedies. I acknowledge that (a) the business of the Company and its Affiliates is global in scope and its services may be marketed and sold throughout the world; (b) the Company and its Affiliates compete with other businesses that are or could be located in any part of the world; (c) the Company has required that I make the covenants contained in this Agreement as a condition to my engagement as an Associate of the Company; and (d) the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its Affiliates and are reasonable for such purpose. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and its Affiliates and that in the event of such breach, the Company shall be entitled, in addition to monetary damages and to any other remedies available to the Company under this Agreement and at law, to equitable relief, including injunctive relief, and to payment by myself of all costs incurred by the Company in enforcing of the provisions of this Agreement, including reasonable attorneys' fees. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

9.7. Governing Law. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Delaware without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which I may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within the State of Delaware), and I hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Company.

[Next Page is Signature Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written as an instrument under seal.

ASSOCIATE

/s/ Kirk Gadelmann

Kirk Gadelmann

TILE SHOP HOLDINGS, INC.

By: /s/ Chris Homeister

Name: Chris Homeister

Title: Chief Operating Officer

Schedule A

List all Prior Inventions

Schedule B

List any and all Conflicting Obligations

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of June 30, 2014 (the "Effective Date"), between Tile Shop Holdings, Inc. (the "Company") and Timothy C. Clayton ("Executive").

RECITALS

WHEREAS, the parties entered into a written agreement governing Executive's employment with the Company as its Senior Vice President and Chief Financial Officer on July 28, 2012, which includes the Company's Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement (together, the "Employment Agreement," attached as Exhibit 1);

WHEREAS, Executive gave formal notice on the date hereof that he is voluntarily resigning from his employment with the Company and the Company has accepted his resignation; and

WHEREAS, the parties have mutually agreed to extend Executive's employment through August 22, 2014, provide for the performance of certain duties after that date, and to memorialize these terms in writing.

NOW THEREFORE, in consideration of the mutual promises and provisions contained in this Agreement, the parties, intending to be legally bound, agree as follows:

AGREEMENT

1. **Term of Employment.** The parties agree that the terms of the Employment Agreement remain in full force and effect except as modified by a specific provision of this Agreement. The parties further agree that Executive shall continue as the Company's Senior Vice President and Chief Financial Officer through the close of business on August 11, 2014 and that Executive shall remain an employee of the Company through the close of business on August 22, 2014.
 2. **Compensation.** Provided that Executive performs his obligations to the Company, he shall receive the following compensation:
 - A. **Base Salary.** Executive shall receive his current annualized Base Salary of \$208,000.00 (\$8,666.66 semi-monthly) through August 22, 2014, paid in accordance with the Company's standard payroll practices and subject to all applicable withholdings and deductions.
 - B. **Benefits.** Executive shall receive the benefits he currently receives for health, dental, and life insurance through August 31, 2014 on the same terms and subject to the same conditions as currently apply to him.
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C. Laptop Computer. Executive shall receive his current laptop computer without cost following the removal of the Company's confidential and proprietary information as described in Section 4 of this Agreement.

D. Other Compensation. The exercise period for Executive's stock options that are vested and unexpired on the last day of his employment (110,000 options) shall be extended to December 31, 2015.

3. Duties During and After Termination of Employment. For the duration of his employment with the Company, Executive shall perform the usual and customary duties he has been performing as the Company's Chief Financial Officer and such other duties as may reasonably be requested by the Company's Chief Operating Officer. During and after the termination of his employment with the Company, Executive shall assist the Company in its defense of *Beaver County Employees' Retirement Fund, et. al v. Tile Shop Holdings, Inc., et al.*, Civ. No. 0:14-cv-00786 (the "Action") and all matters related to the Action by providing historical and factual information and performing such duties as the Company may reasonably request. Executive shall perform these duties without regard to whether he is a named defendant in the Action. Should Executive fail to perform the duties reasonably requested of him following the termination of his employment as described in this Section 3, and after receiving written notice of the applicable duties and a ten business day opportunity to perform such duties, the extension of the exercise period described in Section 2.D of this Agreement shall be cancelled and Executive shall have thirty days to exercise the vested and unexpired stock options following receipt of notice of such cancellation.

4. Return of Certain Confidential and Proprietary Information. On or about the last day of his employment with the Company, Executive shall provide his current Company laptop to the Company, and the Company shall remove all confidential and proprietary information (except information Executive and the Company agree Executive should retain to perform the duties described in Section 3) and return the laptop to Executive. This obligation shall be in addition to Executive's obligation to return Confidential Information as set forth in the Employment Agreement.

5. Termination. Executive's employment with the Company shall automatically end at the close of business on August 22, 2014 without further action required by either party. When Executive's employment with the Company ends, for any reason, the Company shall only pay Executive or Executive's successors in interest: (1) the unreimbursed out-of-pocket expenses incurred by Executive on behalf of the Company prior to the date of termination in accordance with the Company's normal business practices; (2) 85 hours of unused Paid Time Off; (3) Executive's Base Salary through the date of termination; and (4) any amounts or benefits to which Executive is entitled under the Company's applicable benefit plans in accordance with the terms of such benefit plans or applicable law. Executive shall not be entitled to additional pay or benefits of any nature upon the termination of his employment for any reason; provided, however, Executive may elect to continue his participation in the Company's health insurance benefits at his expense pursuant to COBRA by notifying the Company in the time specified in the COBRA notice provided Executive in connection with his termination of employment.

6. Representations. Executive represents and warrants that: (1) he has had the opportunity to review this Agreement with counsel of his own selection before signing it, (2) he has carefully read and understands this Agreement, and (3) he acknowledges that he is bound by the Company's Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement, and that he has complied with its terms in all respects and that he will continue to do so; provided, however, for purposes of this Agreement, "Non-Competition" as used in the Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement with respect to the Company's business activities, products and services shall refer to the business activities, products and services associated with a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories. The Company represents to Executive that the indemnification in his current indemnification agreement shall continue to apply to actions while an executive of the Company notwithstanding his termination of employment, all in accordance with its terms.

IN WITNESS WHEREOF, the parties have caused this Amendment to Employment Agreement to be duly executed and delivered as of the day and year first above written.

TILE SHOP HOLDINGS, INC.

/s/ Robert A. Rucker

By: Robert A. Rucker
President and Chief Executive Officer

/s/ Timothy C. Clayton

Timothy C. Clayton

TILE SHOP HOLDINGS, INC.
14000 Carlson Parkway
Plymouth, Minnesota 55441

July 28, 2012

Timothy C. Clayton
14000 Carlson Parkway
Plymouth, Minnesota 55441

Dear Tim:

We are delighted to offer you a position at Tile Shop Holdings, Inc. (the "Company"). This letter serves to confirm the terms of our offer of employment:

Position: Senior Vice President and Chief Financial Officer

Start date: The closing date of the Company's contribution and merger transactions with JWC Acquisition Corp. If the closing of such transactions does not occur for any reason, then this offer will be null and void, you will not become an employee of the Company.

Status: Full-time, Regular

Reporting to: Bob Rucker

Compensation: Base salary (annualized) of \$200,000, which is \$8,333.33 semi-monthly, paid in accordance with the Company's normal payroll procedures.
You should note that the Company may modify salaries and benefits from time to time as its Board of Directors or the Compensation Committee thereof deems necessary or appropriate, and all forms of compensation which are referred to in this offer letter are subject to applicable withholding and payroll taxes.

Bonus: For the remainder of 2012, your bonus arrangement will be the same as the bonus arrangement that The Tile Shop, LLC, currently has in effect for its senior executives (other than Bob Rucker), pro-rated for the partial year during which you are employed by the Company.

For the 2013 calendar year, and subject to approval of the Compensation Committee, you will be eligible for an annual cash bonus based on the Company achieving a target EBITDA level for 2013, as determined by the Compensation Committee prior to the beginning of the 2013 calendar year. The precise amount of the bonus (which can range from 0% to 100% of your base salary) will be calculated by linear extrapolation for EBITDA achievement that falls between 85% of the target EBITDA and 115% of the target EBITDA. For example, if the Company's actual EBITDA for 2013 is exactly the target EBITDA, then your bonus would be 50% of your base salary (i.e., \$100,000). If the Company's actual EBITDA for 2013 is 115% or more of the target EBITDA, then your bonus would be 100% of your base salary (i.e., \$200,000), but if the Company's actual EBITDA for 2013 is less than 85% of the target EBITDA, then your bonus would be \$0.

For the 2014 calendar year and subsequent calendar years, it is expected that your bonus would be calculated in a similar fashion (i.e., based on the Company achieving certain target EBITDA levels for each such calendar year, as determined by the Compensation Committee prior to the beginning of each such calendar year).

- Benefits:** You will be eligible to receive the Company's standard benefit package for employees of your level; provided, however, that you will be entitled to three (3) weeks of vacation each calendar year.
- Responsibilities:** The Chief Executive Officer will outline your specific duties, responsibilities, and performance expectations.
- Stock Options:** Subject to approval by the Company's Board of Directors, you will be granted options to purchase 220,000 shares of the Company's common stock. The exercise price of the options will be the fair market value of the Company's common stock as of the date of grant. These options will vest in accordance with, and will otherwise be subject to, the terms of the Company's 2012 Equity Award Plan (the "Plan") and your Incentive Stock Option Agreement entered into pursuant thereto.
- Change of Control:** In the event of Change of Control of the Company (as defined in the Plan), if you are (a) not offered employment or continued employment by the Successor Entity (as defined in the Plan) upon consummation of such Change of Control, or (b) if prior to the first anniversary of such Change of Control, (i) you are discharged by the Successor Entity other than for Cause (as defined in the Plan) or (ii) you resign from your employment with the Successor Entity as a result of a Constructive Termination (as defined below), all of your unvested stock options will vest and become exercisable immediately prior to such Change of Control or cessation of employment, as applicable.
- "Constructive Termination" will occur if you resign from your employment with the Successor Entity within thirty (30) days following (i) a material reduction in your annual base salary or job responsibility or (ii) the relocation of your principal office location to a facility or location located more than fifty (50) miles from your principal office location on the date of the Change of Control.
- Severance:** If you are terminated without Severance Cause (as defined below) or resign for Good Reason (as defined below), you will be entitled to receive an amount equal to (i) your then current base salary for a six-month period commencing with the effective date of your termination of employment with the Company (the "Severance Period") and (ii) an amount equal to six (6) times the monthly amount that the Company paid for your participation in the Company's health insurance plan during the month immediately preceding your termination date. The foregoing amounts will be payable pro rata over the Severance Period in accordance with the Company's normal payroll practices; provided, however, that the Company will not make any severance payments unless and until (x) you execute and deliver to the Company a general release in substantially the form of Exhibit A attached hereto (the "Release"), (y) such Release is executed and delivered to the Company within twenty-one (21) days after your termination date and (z) all time periods for revoking the Release have lapsed. If you are terminated during the month of December of any calendar year and are owed severance hereunder, no severance payments will be made prior to January 1st of the next calendar year and any amount that would have otherwise been payable to you in December of the preceding calendar year will be paid to you on the first date in January on which you would otherwise be entitled to any payment. Following your termination date, all benefits offered by the Company, including health insurance benefits, will cease. From and after such date, you may elect to continue your participation in the Company's health insurance benefits at your expense pursuant to COBRA by notifying the Company in the time specified in the COBRA notice you will be provided and paying the monthly premium yourself. Notwithstanding the above, if you are a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), then any amounts payable to you during the first six (6) months and one day following the date of termination that constitute nonqualified deferred compensation within the meaning of Section 409A of the Code (as determined by the Company in its sole discretion) will not be paid to you until the date that is six (6) months and one day following such termination to the extent necessary to avoid adverse tax consequences under Section 409A of the Code.
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“Severance Cause” will mean (i) willful misconduct in connection with your employment or willful failure to perform your responsibilities in the best interests of the Company, as determined by the Company’s Board of Directors; (ii) conviction of, or plea of nolo contendere or guilty to, a felony other than an act involving a traffic related infraction; (iii) any act of fraud, theft, embezzlement or other material dishonesty by you which harmed the Company; (iv) intentional violation of a federal or state law or regulation applicable to the Company’s business which violation was or is reasonably likely to be injurious to the Company; or (v) repeated failure to perform your duties and obligations of your position with the Company which failure is not cured within thirty (30) days after notice of such failure from the Company’s Board of Directors to you.

“Good Reason” for your resignation will exist if you resign from your employment with the Company as a result of (i) a material reduction in your annual base salary or job responsibility or (ii) the relocation of your principal office location to a facility or location located more than fifty (50) miles from your current principal office location.

If a copy of your Social Security Card is not already on file with the Company, please provide the Company with your Social Security Card when you execute and return this letter. We will make a copy of your card and it will be kept in your employee file for payroll purposes.

Please understand that your employment with the Company is for no specified period and constitutes “at-will” employment. As a result, you are free to resign at any time, for any reason or for no reason, with or without notice. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without notice.

The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. Your job offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States, if you have not already done so. Such documentation must be provided to the Company within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

Like all Company employees of your level, you will be required, as a condition of your employment with the Company, to sign the Company's Nondisclosure, Confidentiality, Assignment and Noncompetition Agreement, a copy of which is attached hereto as Exhibit B (the "Non-Competition and Non-Disclosure Agreement").

You agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company.

To indicate your acceptance of our offer, please sign and date the attached Acceptance and Acknowledgement. This letter, along with the Company's Non-Competition and Non-Disclosure Agreement, set forth the terms of your employment with the Company and supersede any prior representations or agreements, whether written or oral. This letter may not be modified or amended except by a written agreement, signed by the Chief Executive Officer of the Company and by you.

Sincerely,

TILE SHOP HOLDINGS, INC.

/s/ Robert A. Rucker

Robert A. Rucker
Chief Executive Officer and President

ACCEPTANCE AND ACKNOWLEDGMENT

I accept the offer of employment from the Company as set forth in the offer letter dated July 28, 2012. I understand and acknowledge that my employment with the Company is for no particular duration and is at-will, meaning that I, or the Company, may terminate the employment relationship at any time, with or without cause and with or without prior notice. Additionally, I acknowledge that the Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees, and that my job offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

I understand and agree that the terms and conditions set forth in the offer letter represent the entire agreement between the Company and me superseding all prior negotiations and agreements, whether written or oral. I understand that the terms and conditions described in the offer letter, along with the Company's Non-Competition and Non-Disclosure Agreement are the terms and conditions of my employment. No one other than the Company's Chief Executive Officer is authorized to sign any employment or other agreement which modifies the terms of the offer letter and the Company's Non-Competition and Non-Disclosure Agreement, and any such modification must be in writing and signed by either such individual. I understand that the Company may modify salary and benefits as well as other plans and programs from time to time as its Board of Directors or the Compensation Committee thereof deems necessary or appropriate

I also understand that if the closing of the Company's contribution and merger transactions with JWC Acquisition Corp. does not occur for any reason, then the offer of employment as set forth in the offer letter dated July 28, 2012, will be null and void, I will not become an employee of the Company.

Signature: /s/ Timothy C. Clayton

Printed Name: Timothy C. Clayton

Date: July 28, 2012

EXHIBIT A

WAIVER OF CLAIMS AND GENERAL RELEASE

This Waiver of Claims and General Release (the "Release") is to confirm that the undersigned's at-will employment with Tile Shop Holdings, Inc. (the "Company") is terminated effective as of _____, 201_ (the "Termination Date"). Effective as of the Termination Date, by execution of this Release, the undersigned ("you") hereby resign from all offices you hold with the Company and any of its subsidiaries.

Please read this Release carefully. To help you understand the Release and your rights as a terminated employee, consult with your attorney.

Consistent with the provisions of that certain Offer Letter Agreement by and between you and the Company dated as of [_____], 2012 (the "Offer Letter Agreement"), the Company will provide you with severance pay pursuant to the terms of the Offer Letter Agreement. In consideration for the severance payments and other good and valuable consideration set forth in the Offer Letter Agreement, you hereby agree as follows:

1. **Release.** You hereby release and forever discharge the Company and each of its past and present officers, directors, employees, agents, advisors, consultants, successors and assigns from any and all claims and liabilities of any nature by you including, but not limited to, all actions, causes of actions, suits, debts, sums of money, attorneys' fees, costs, accounts, covenants, controversies, agreements, promises, damages, claims, grievances, arbitrations, and demands whatsoever, known or unknown, at law or in equity, by contract (express or implied), tort, pursuant to statute, or otherwise, that you now have, ever have had or will ever have based on, by reason of, or arising out of, any event, occurrence, action, inaction, transition or thing of any kind or nature occurring prior to or on the effective date of this Release. Without limiting the generality of the above, you specifically release and discharge any and all claims and causes of action arising, directly or indirectly, from your employment at the Company, arising under the Employee Retirement Income Security Act of 1974 (except as to claims pertaining to vested benefits under employee benefit plan(s) of the Company), Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Equal Pay Act, the Rehabilitation Act, the Americans With Disabilities Act, or any other law, statute, ordinance, rule, regulation, decision or order pertaining to employment or pertaining to discrimination on the basis of age, alienage, race, color, creed, gender, national origin, religion, physical or mental disability, marital status, citizenship, sexual orientation or non-work activities. Payment of any amounts and the provision of any benefits provided for in this Release do not signify any admission of wrongdoing by the Company or any of its affiliates.

The foregoing shall not restrict you from instituting any proceeding to enforce the Company's obligations to you under this Release or to challenge the validity, or the knowing and voluntary nature, of this Release.

2. **Older Workers Benefit Protection Act.** Pursuant to the Older Workers Benefit Protection Act, the Company hereby advises you that you should consult an attorney before signing this Release, that you are entitled to take up to twenty-one (21) days from the date of your receipt of this Release to consider it and that you may have seven (7) days from the date you sign this Release to revoke it. The revocation must be personally delivered to the Company's Vice President – Human Resources or his/her designee, or mailed to them via certified mail, return receipt requested and postmarked within seven (7) calendar days of your execution of this Release. This Release shall not become effective or enforceable until the revocation period has expired. Nothing herein is intended to, or shall, preclude you from filing a charge with any appropriate federal, state, or local government agency and/or cooperating with said agency in any investigation. You, however, explicitly waive any right to file a personal lawsuit and/or receive monetary damages that the agency may recover against each of the parties released in Paragraph 1 above, without regard as to who brought any said complaint or charge.

3. **Confidentiality of this Release.** You agree that you shall keep the terms of this Release strictly confidential and not disclose, directly or indirectly, any information concerning them to any third party, with the exception of your spouse (if you have a spouse), financial or legal advisors, provided that they agree to keep such information confidential as set forth herein and not disclose it to others, and except as may be required by court order or legal process.

4. Breach. You agree that all of the payments and benefits provided for in the Offer Letter Agreement are subject to termination, reduction or cancellation in the event of your material breach of this Release.

5. Enforcement. The parties agree that any legal proceeding brought to enforce the provisions of this Release may be brought only in the courts of the State of Minnesota or the federal courts located in Minnesota and each party hereby consents to the jurisdiction of such courts.

6. Severability. If any of the terms of this Release shall be held to be invalid and unenforceable and cannot be rewritten or interpreted by the court to be valid, enforceable and to meet the intent of the parties expressed herein, then the remaining terms of this Release are severable and shall not be affected thereby.

7. Miscellaneous. This Release and the Severance Agreement constitutes the entire agreement between the parties about or relating to your termination of employment with the Company, or the Company's obligations to you with respect to your termination and fully supersedes any and all prior agreements or understandings between the parties.

8. Representations. You affirm that the only consideration for signing this Release is described in the Severance Agreement as referenced herein and that no other promises or agreements of any kind have been made to or with you by any person or entity whatsoever to cause you to sign this Release, and that you fully understand the meaning and intent of this instrument. You agree that at all times during your employment you were properly compensated for all hours you worked and that you suffered no work related accident, illness or injury. You agree that you will not disparage the Company in any way, nor will you make any public comments or communications which tend to cast the Company, its owners, directors, officers or employees in a negative light.

You acknowledge that you have carefully read this Release, voluntarily agree to all of its terms and conditions, understand its contents and the final and binding effect of this Release, and that you have signed the same as your own free act with the full intent of releasing the Company from all claims you may have against it.

EMPLOYEE

TILE SHOP HOLDINGS, INC.

Name:

By: _____
Name:
Title:

Date Signed: _____

Date Signed: _____

EXHIBIT B

TILE SHOP HOLDINGS, INC. NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT

THIS NONDISCLOSURE, CONFIDENTIALITY, ASSIGNMENT AND NONCOMPETITION AGREEMENT (this “**Agreement**”) is made this the [] day of July, 2012, by and between Tile Shop Holdings, Inc., a Delaware corporation and its subsidiaries (collectively with any predecessors, successors, and assignees, the “**Company**”), and Timothy C. Clayton (“**I**” or “**me**”), to be effective on the closing date of the Company’s contribution and merger transactions with JWC Acquisition Corp. (the “**Effective Date**”).

In consideration of my engagement or continued engagement as an officer, employee, director, advisor, partner, independent contractor or consultant of the Company (an “**Associate**”), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby agree as follows:

1. **DEFINITIONS.**

1.1. “**Affiliate**” means any direct or indirect subsidiary of the Company.

1.2. “**Confidential Information**” means any and all confidential and/or proprietary knowledge, data or information concerning the business, business relationships and financial affairs of the Company or its Affiliates whether or not in writing and whether or not labeled or identified as confidential or proprietary. By way of illustration, but not limitation, Confidential Information includes: (a) Inventions and (b) research and development activities of the Company or its Affiliates, services and marketing plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, customer and supplier information and information disclosed to the Company or its Affiliates or to me by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including without limitation, patent applications, computer programs in object and/or source code, flow charts and other program documentation, manuals, plans, drawings, designs, technical specifications, laboratory notebooks, supplier and customer lists, internal financial data and other documents and records of the Company or its Affiliates.

1.3. “**Inventions**” means all ideas, concepts, discoveries, inventions, developments, improvements, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, original works of authorship, software programs, software and systems documentation, trade secrets, technical data, or licenses to use (whether or not patentable or registrable under copyright or similar statutes), that are or were made, conceived, devised, invented, developed or reduced to practice or tangible medium by me, either alone or jointly with others (a) during any period that I am an Associate of the Company, whether or not during normal working hours or on the premises of the Company, which relate, directly or indirectly, to the business of the Company or its Affiliates, (b) at the request of or for the benefit of the Company during any period prior to my engagement as an Associate of the Company which relate, directly or indirectly, to the business of the Company or its Affiliates, or (c) which arise out of, or are incidental to, my engagement as an Associate of the Company.

1.4. “**Prior Inventions**” means any inventions made, conceived, devised, invented, developed or first reduced to practice by me, under my direction or jointly with others prior to the date of this Agreement and which do not constitute Inventions within the meaning of Section 1.3 above.

1.5. “**Third Party Information**” means any confidential or proprietary information received by the Company or its Affiliates from third parties.

2. **CONFIDENTIALITY.**

2.1. Recognition of the Company’s Rights. I understand that the Company continually obtains and develops valuable Confidential Information which may or has become known to me in connection with my engagement as an Associate of the Company. I acknowledge that all Confidential Information is and shall remain the exclusive property of the Company or the third party providing such Confidential Information to myself, the Company, or the Company’s Affiliates.

2.2. Nondisclosure of Confidential Information. I agree that during the term of my engagement as an Associate of the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon, publish or otherwise make available to any third party (other than personnel of the Company or its Affiliates who need to know such information in connection with their work for the Company), any Confidential Information of the Company, except as such disclosure, use or publication may be required in connection with my work for the Company, or as expressly authorized in writing by an executive officer of the Company. I agree that I shall use such Confidential Information only in the performance of my duties for the Company and in accordance with any Company policies with respect to the protection of Confidential Information. I agree not to use such Confidential Information for my own benefit or for the benefit of any other person or business entity.

2.3. Third Party Information. In addition, I understand that the Company has received and in the future will receive Third Party Information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my engagement as an Associate of the Company and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its Affiliates who need to know such information in connection with the performance of their duties for the Company) or use any Third Party Information, except as such disclosure or use may be required in connection with the performance of my duties for the Company, or as expressly authorized in writing by an executive officer of the Company.

2.4. Exceptions. My obligations under Sections 2.2 and 2.3 hereof shall not apply to the extent that certain Confidential Information: (a) is or becomes generally known within the Company's industry through no fault of mine; (b) was known to me at the time it was disclosed as evidenced by my written records at the time of disclosure; (c) is lawfully and in good faith made available to me by a third party who did not derive it from the Company or the Company's Affiliates and who imposes no obligation of confidence to me, the Company, or the Company's Affiliates; or (d) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the Company.

2.5. Protection and Return of Confidential Information. I agree to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in my possession and not to remove any materials containing Confidential Information from the premises of the Company, except to the extent necessary in the performance of my duties for the Company or unless expressly authorized in writing by an executive officer of the Company. Upon the termination of my engagement as an Associate of the Company, or at any time upon the Company's request, I shall return immediately to the Company any and all notes, memoranda, specifications, devices, formulas and documents, together with copies thereof, and any other material containing or disclosing any Confidential Information of the Company or Third Party Information then in my possession or under my control.

3. **Assignment of Inventions.**

3.1. Ownership of Inventions. I acknowledge that all Inventions already existing at the date of this Agreement or which arise after the date of this Agreement, belong to and are the absolute property of the Company and will not be used by me for any purpose other than carrying out my duties as an Associate of the Company.

3.2. Assignment of Inventions; Enforcement of Rights. Subject to Section 3.6, I hereby assign and agree to assign in the future to the Company all of my right, title and interest to any and all Inventions and any and all related patent rights, copyrights and applications and registrations therefor. I also agree to assign all my right, title and interest in and to any particular Inventions to a third party as directed by the Company. During and after my engagement as an Associate of the Company, I shall cooperate with the Company, at the Company's expense, in obtaining proprietary protection for the Inventions and I shall execute all documents which the Company shall reasonably request in order to perfect the Company's rights in the Inventions. I hereby appoint the Company my attorney to execute and deliver any such documents on my behalf in the event I should fail or refuse to do so within a reasonable period following the Company's request. I understand that, to the extent this Agreement shall be construed in accordance with the laws of any country or state which limits the assignability to the Company of certain inventions, this Agreement shall be interpreted not to apply to any such invention which a court rules or the Company agrees is subject to such limitation.

3.3. Works for Hire. I acknowledge that all original works of authorship made by me (solely or jointly with others) within the scope of my engagement as an Associate of the Company or any prior engagement by the Company, which are protectable by copyright are intended to be “works made for hire”, as that term is defined in Section 101 of the United States Copyright Act of 1976 (the “Act”), and shall be the property of the Company and the Company shall be the sole author within the meaning of the Act. If the copyright to any such copyrightable work shall not be the property of the Company by operation of law, I will, without further consideration, assign to the Company all of my right, title and interest in such copyrightable work and will cooperate with the Company and its designees, at the Company’s expense, to secure, maintain and defend for the Company’s benefit copyrights and any extensions and renewals thereof on any and all such work. I hereby waive all claims to moral rights in any Inventions.

3.4. Records. I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Inventions made by me during the period of my engagement as an Associate of the Company or any prior engagement by the Company, which records shall be available to and remain the sole property of the Company at all times.

3.5. Obligation to Keep Company Informed. During the period of my engagement as an Associate of the Company, and for six (6) months after termination of my engagement as an Associate of the Company, I agree to promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others. In addition, I will promptly disclose to the Company all patent applications filed by me or on my behalf within a year after termination of my engagement as an Associate of the Company..

3.6. Prior Inventions. I further represent that the attached Schedule A contains a complete list of all Prior Inventions. Such Prior Inventions are considered to be my property or the property of third parties and are not assigned to the Company hereunder. If there is no such Schedule A attached hereto, I represent that there are no such Prior Inventions. If I am claiming any Prior Inventions on Schedule A, I agree that, if in the course of my engagement as an Associate of the Company or any prior engagement by the Company, I incorporate any Prior Invention into a Company product, process or machine, the Company shall automatically be granted and shall have a non-exclusive, royalty-free, irrevocable, transferable, perpetual, world-wide license (with rights to sublicense) to make, have made, modify, use and sell such Prior Invention as part of, or in connection with, such product, process or machine. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

4. **Other Agreements.**

4.1. No Conflicting Obligations. I hereby represent to the Company that, except as identified on Schedule B, I am not bound by any agreement or any other previous or existing business relationship which conflicts with or prevents the full performance of my duties and obligations to the Company (including my duties and obligations under this or any other agreement with the Company) during my engagement as an Associate of the Company. I agree I will not enter into, any agreement either written or oral that conflicts with this Agreement.

4.2. No Improper Use of Information of Prior Employers or Others. I understand that the Company does not desire to acquire from me any trade secrets, know-how or confidential business information I may have acquired from others. Therefore, I agree during my engagement as an Associate of the Company, I will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer, or any other person or entity with whom I have an agreement or to whom I owe a duty to keep such information in confidence. Those persons or entities with whom I have such agreements or to whom I owe such a duty are identified on Schedule B.

5. **Non-Competition.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not, without the Company's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Company or its Affiliates, (b) conduct a business of the type or character engaged in by the Company or its Affiliates at the time of termination or cessation of my engagement as an Associate of the Company, or (c) develop products or services competitive with those of the Company or its Affiliates.

6. **General non-solicitation.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not solicit, divert or take away, or attempt to divert or take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company or its Affiliates which were contacted, solicited or served by me while I was engaged as an Associate of the Company or any Affiliate.

7. **Non-solicitation of Employees And Consultants.** I agree that while I am engaged as an Associate of the Company and for a period of one (1) year after termination or cessation of such engagement for any reason, I shall not directly or indirectly hire, recruit, or solicit any employee, independent contractor or consultant of the Company or its Affiliates, or induce or attempt to induce any employee independent contractor or consultant of the Company or its Affiliates to discontinue his or her relationship with the Company or its Affiliates.

8. **Notice of Subsequent Employment OR engagement.** I shall, for a period of one (1) year after the termination or cessation of my engagement as an Associate of the Company, notify the Company of any change of address, and of any subsequent employment or engagement (stating the name and address of the employer and the nature of the position) or any other business activity.

9. **EXTENSION OF COVENANT PERIODS.** Notwithstanding the foregoing provisions of Sections 5, 6, 7 and 8 of this Agreement, if (and only if) I am entitled under the offer letter dated July 28, 2012, between me and the Company to be paid a severance upon termination of my employment with the Company for a six-month period commencing with the effective date of my termination of employment, but the Company elects (which election may be made by the Company in its sole and absolute discretion) to instead pay me a severance for a 12-month period, then I agree that the one (1) year covenant periods set forth in Sections 5, 6, 7 and 8 of this Agreement shall instead be deemed to be two (2) years.

10. **General.**

10.1. **Effectiveness of This Agreement.** The Company and I acknowledge and agree that this Agreement shall only become effective on (and not prior to) the Effective Date, and that if the closing of the Company's contribution and merger transactions with JWC Acquisition Corp. does not occur for any reason, then this Agreement shall be null and void as if it never existed.

10.2. **Assignment; Successors and Assigns.** This Agreement may not be assigned by either party except that the Company may assign this Agreement to any Affiliate or in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

10.3. **Entire Agreement.** The obligations pursuant to Sections 2 and 3 of this Agreement shall apply to any time during which I was previously engaged as an Associate of the Company, or am in the future engaged as an Associate of the Company or any Affiliate if no other agreement governs nondisclosure and assignment of inventions during such period. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

10.4. **Severability.** In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and all other provisions shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation without violation of such obligation.

10.5. Amendments and Waivers. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any occasion if effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

10.6. Employment. I understand that this Agreement does not constitute a contract of employment or create an obligation on the part of the Company to continue my employment (if any) with the Company. I understand that my employment (if any) is “at will” and that my obligations under this Agreement shall not be affected by any change in my position, title or function with, or compensation, by the Company. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

10.7. Legal and Equitable Remedies. I acknowledge that (a) the business of the Company and its Affiliates is global in scope and its services may be marketed and sold throughout the world; (b) the Company and its Affiliates compete with other businesses that are or could be located in any part of the world; (c) the Company has required that I make the covenants contained in this Agreement as a condition to my engagement as an Associate of the Company; and (d) the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its Affiliates and are reasonable for such purpose. I agree that any breach of this Agreement by me will cause irreparable damage to the Company and its Affiliates and that in the event of such breach, the Company shall be entitled, in addition to monetary damages and to any other remedies available to the Company under this Agreement and at law, to equitable relief, including injunctive relief, and to payment by myself of all costs incurred by the Company in enforcing of the provisions of this Agreement, including reasonable attorneys’ fees. I agree that should I violate any obligation imposed on me in this Agreement, I shall continue to be bound by the obligation until a period equal to the term of such obligation has expired without violation of such obligation.

10.8. Governing Law. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the State of Delaware without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which I may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within the State of Delaware), and I hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Company.

[Next Page is Signature Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written as an instrument under seal.

ASSOCIATE

Timothy C. Clayton

TILE SHOP HOLDINGS, INC.

By: _____
Name: Robert A. Rucker
Title: Chief Executive Officer and President

Schedule A

Prior Inventions

None.

Schedule B

No Conflicting Obligations

No exceptions.

FOR IMMEDIATE RELEASE

*Tile Shop Holdings, Inc. Names Kirk Geadelmann as New Chief Financial Officer
Geadelmann to succeed Tim Clayton in August following transition period*

MINNEAPOLIS (June 30, 2014) – Tile Shop Holdings, Inc. (NASDAQ: TTS) (the “Company”), a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories, today announced the appointment of Kirk Geadelmann as its new Chief Financial Officer. Mr. Geadelmann will transition into the role on August 12, 2014, succeeding CFO Timothy C. Clayton, who has resigned his position to accept an executive position with another company. Mr. Clayton will remain with the Company until mid-August to ensure a smooth transition of responsibilities.

Kirk Geadelmann is a seasoned financial manager whose 23 years of professional experience includes a blend of financial and operational accomplishments, primarily in the retail industry. Prior to joining the Company, Mr. Geadelmann worked for 14 years at Best Buy, Inc., most recently serving as the corporate and international controller. During his tenure at Best Buy, Kirk was also responsible for overseeing business planning, performance management, financial accounting and SEC reporting functions. Prior to Best Buy, he held roles with BMC Manufacturing, Arthur Andersen, Allianz Insurance and Coopers & Lybrand, where he earned his CPA certification.

“Kirk is a respected financial leader, and he will be a strong addition to our executive team,” said Robert Rucker, Chief Executive Officer. “Kirk has deep roots in finance and has proven track record in the retail industry. In addition, Kirk’s prior experience working directly with our COO and auditors will enable him to quickly assimilate into the Company. We are excited that he has agreed to join The Tile Shop and are confident in his ability to oversee our financial affairs.”

“On behalf of the Company and the Board of Directors, we want to thank Tim Clayton for all of his contributions during the past two years, including our successful transition to a public reporting company” said Rucker. “Tim has been an integral part of our team during a critical time of growth, and we wish him continued success in his future endeavors.”

About Tile Shop Holdings and The Tile Shop

The Company is a specialty retailer of manufactured and natural stone tiles, setting and maintenance materials, and related accessories in the United States. The Company offers a wide selection of products, attractive prices, and exceptional customer service in an extensive showroom setting. The Company operates 98 stores in 30 states, with an average size of 23,000 square feet. The Company also sells its products on its website, www.tileshop.com.

Investor and Media Contact:

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