Special Guidelines For Trading in the Company's Securities
Directors and Officers

Pre-Clearance of All Trades

All transactions in Company equity securities by directors and officers (and their family members) are subject to the reporting requirements and short-swing profit liability rules under Section 16 of the Securities Exchange Act of 1934 (the "1934 Act"). GIVEN THE SERIOUS CONSEQUENCES OF SECTION 16 VIOLATIONS, THE COMPANY HAS DETERMINED THAT ALL TRANSACTIONS IN COMPANY SHARES OF COMMON STOCK (ACQUISITIONS, DISPOSITIONS, TRANSFERS, ETC.) BY DIRECTORS AND OFFICERS OR MEMBERS OF THEIR IMMEDIATE FAMILIES MUST BE PRE-CLEARED BY THE CHIEF FINANCIAL OFFICER OF THE COMPANY. If you or a member of your immediate family contemplates a transaction, you should contact the Chief Financial Officer in advance. Pre-clearance will enable the Chief Financial Officer to consider and refer to counsel, if necessary, any relevant information in order to confirm that the transaction complies with all applicable requirements of the federal securities laws. **PRE-CLEARANCE IS CRITICAL BECAUSE THE SEC'S RULES REQUIRE A FILING WITHIN TWO BUSINESS DAYS OF THE TRANSACTION.**

Section 16 Ownership Reports

Executive officers, directors, and greater than 10% shareholders of the Company ("insiders") must file with the SEC public reports disclosing their holdings of, and transactions in, the Company's equity securities under Section 16 of the 1934 Act. For purposes of these filing requirements, the individuals identified as "executive officers" in the Company's Form 10-K are required to report. Currently, these individuals are as follows: Gregg C. Sengstack, Daniel J. Crose, Robert J. Stone, Thomas J. Strupp, John J. Haines, DeLancey W. Davis, Steven W. Aikman, Donald P. Kenney, and Julie Scheck Freigang.

First Report. An initial report on Form 3 must be filed by every insider disclosing all equity securities of the Company beneficially owned on the date he or she became an insider. Even if no securities were owned on that date, the insider must file a report within 10 days of attaining insider status.

Report All Changes. ANY CHANGE IN BENEFICIAL OWNERSHIP BY THE INSIDER MUST BE REPORTED ON FORM 4 AND MUST BE FILED WITH THE SEC WITHIN TWO BUSINESS DAYS AFTER THE TRANSACTION DATE, SUBJECT TO TWO LIMITED EXCEPTIONS. For example, the exercise of a stock option or a stock appreciation right must be reported on a Form 4. The fact that an insider's transactions resulted in no net change in beneficial ownership, or the fact that no securities were owned after the transactions were completed, does not provide a basis for failing to report.

Report Annually. Form 5 must be filed within 45 calendar days after the end of the Company's fiscal year. The annual Form 5 reconciles the insider's Section 16 reports, and reports a limited number of transactions not previously reported. Insiders with no unreported transactions during the fiscal year need not file Form 5; however, they will be required to provide the Company with a written representation to that effect (i.e., that no Form 5 was required to be filed). All transactions reportable on Form 5 may be voluntarily reported earlier on Form 4.

Reporting Before and After Insider Status. A new reporting officer or director is not required to report transactions occurring prior to the date he or she becomes an insider, although the initial report on Form 3 must report beneficial ownership as of the date of attaining director or officer status. A person who has ceased to be an officer or director must report any non-exempt transactions after termination that occur within six months of a non-exempt "opposite transaction" while the person was an insider. Purchases and sales are "opposite transactions". In addition, an officer or director whose service as such terminates during a year will still be required to file a Form 5 for such year if there are transactions to report.

Report All Securities. Reports must include all shares of Common Stock, restricted shares, restricted share units, performance shares, stock options, and stock appreciation rights. Your Form 5 must also cover shares allocated to you in the ESOP or 401(k) Plan.

Beneficial Ownership. The Section 16 rules require the reporting of an insider's "beneficial ownership" of the Company's "equity securities." An insider is deemed to own beneficially any equity security in which the insider holds a "pecuniary interest." (A broader definition of "beneficial owner" is used to determine who is a greater than 10% shareholder.) "Pecuniary interest" means the "opportunity, directly, to profit or share in any profit derived from a transaction." A pecuniary interest may exist directly or indirectly through another person or entity. For example, an insider is presumed to have a "pecuniary interest" in equity securities held by members of his or her immediate family (defined broadly to include all children, stepchildren, parents, stepparents, spouses, grandparents, grandchildren, siblings and in-laws, including adoptive relationships) sharing the same household. An insider might also be deemed under certain circumstances to have a "pecuniary interest" in equity securities held in the name of corporations, partnerships, trusts and other entities in which the insider has an interest. It is also possible that more than one person may be deemed to be the "beneficial owner" of the same equity securities for purposes of Section 16.

"Equity security" is defined under Section 16 rules to mean any equity security (i.e., common stock or preferred stock) or any "derivative security" relating to the Company, whether or not issued by the Company. "Derivative securities" are broadly defined to include stock options, warrants, convertible securities, stock appreciation rights, puts, calls and other options, or similar securities with a value derived from the value of the underlying equity security. The inclusion of "derivative securities" under the Section 16 rules reflects the SEC's views that derivative securities can be used just as easily as the underlying equity securities to engage in unlawful short-swing trading since the value of the derivative securities is related to the value of the underlying equity securities. In this way, the SEC equates ownership of derivative securities with indirect ownership of the underlying equity securities. Those who have questions regarding the beneficial ownership of shares should contact the Company's Secretary.

Consequences of Non-Compliance with Section 16(a)

Non-compliance with the filing requirements of Forms 3, 4 and 5 has significant consequences. First, the Company is required to disclose in its proxy statements and Annual Reports on Form 10-K the names of all insiders who failed to file required reports in a timely manner, the number of late and known non-filed reports and the number of transactions not timely reported.

Second, the federal securities laws authorize substantial monetary penalties for federal securities laws violations (including violations of Section 16(a)) and provide the SEC with increased enforcement powers. The law permits the SEC to seek administrative or court orders imposing substantial civil money penalties for violations of the federal securities laws. It also authorizes the SEC to issue cease-and-desist orders in administrative proceedings for violations of the federal securities laws. Although reporting violations are unlikely to trigger the most severe enforcement actions, the SEC has publicly stated on many occasions its intention to pursue more aggressively violations of Section 16(a).

Section 16(b) Short Swing Profits Liability

Section 16(b) of the 1934 Act and related rules provide that if an insider purchases and sells (or sells and purchases) equity securities of the Company within a six-month period, the transactions are “matched” and any resulting “profit” must by law be turned over to the Company. The order of transactions is not important; “profit” is deemed to have been realized if there is a purchase and subsequent sale at a higher price or a sale and subsequent purchase at a lower price during the six-month period. Transactions in derivative securities may be matched with transactions in the underlying equity securities and with each other. Transactions occurring before someone becomes an insider, however, may not be matched with later transactions to create liability.

The Company’s equity securities (including any derivative securities) are considered fungible, and short-swing profits liability cannot be avoided by holding one stock certificate and selling another or by any other approach designed to establish that particular securities were held for the requisite six-month period. Furthermore, for purposes of determining “profit,” all sales and purchases within a six-month period will be compared, and the highest price received for any shares will be matched with the lowest price paid during the period. As a result of this matching and because losses cannot be offset against profits, it is possible for a person to lose money on securities transactions and yet be forced to repay “profits” to the Company. For example, a person may purchase shares of common stock at $20 per share and sell them for $12 per share; however, if within six months before or after such sale, the person purchases shares of common stock at $10 per share, he will be held accountable for “profits” of $2 per share.

Subject to pre-clearance by the Chief Financial Officer, insiders are permitted to exercise their stock options and sell the shares obtained thereby, provided that at least six months have elapsed between the grant of the options and the sale of the shares, and that no “purchases” under Section 16(b) have been or will be made during the six-month period before and after the sale. Also, within the 401(k) plan, officers are prohibited from making “opposite transactions” within any six month period. An opposite transaction is considered a transfer in or out of the 401(k) Franklin Electric Stock Fund.

Section 16(b) establishes a virtually absolute standard, and the courts apply the law automatically against insiders. Practically speaking, there is no defense to a Section 16(b) lawsuit if the statute's technical requirements have been violated. Good faith, lack of bad intention and the absence of inside information are all considered irrelevant. If the Company does not act to recover the profit resulting from a Section 16(b) violation, any stockholder may sue on behalf of the Company to recover such "profit" and require the Company to pay a portion of such profit to his lawyer as a fee. The Form 3, 4 and 5 reports filed by insiders are public information. The SEC also publishes a summary of transactions reported on such Forms, showing by name, under the name of the registered company, each person who has reported transactions, the number of shares involved and certain other information. Certain lawyers make a living by studying the filings of insiders for Section 16(b) violations and recovering the Section 16(b) profits for the corporation and a fee for themselves. No violation of Section 16(b) is too small for the attention of these lawyers, and they are willing to file lawsuits to attempt to establish violations with respect to transactions in "gray areas" of Section 16.

Procedures to Ensure Compliance with Section 16

1. Designated Filing Coordinator. The Company has designated John J. Haines, the Company's Chief Financial Officer, as Filing Coordinator to pre-clear all insider transactions and to assist officers and directors in preparing and/or reviewing all Form 3, Form 4, and Form 5 filings.

2. Preparing, Reviewing and Filing Forms 3, 4 and 5. The Company will prepare, on your behalf, the required Form 3 upon an individual's assumption of officer or director status. In addition, the Company will assist all officers and directors in preparing a Form 4 whenever there is an acquisition or disposition of shares that would require a filing and in preparing a Form 5 after the end of each fiscal year. Given the two-business day filing requirement and the significant consequences of non-compliance, the Company will file all Forms 3, 4 and 5 on behalf of officers and, if requested, on behalf of directors.

3. Power of Attorney. The SEC will not excuse late filings. A power of attorney has been designed that gives the Filing Coordinator, or persons substituted by him, the authority to sign Forms 4 and 5 on behalf of a reporting person. Each year, every insider should verify with the Filing Coordinator that he or she has an effective, signed Power of Attorney on file with the Filing Coordinator. **A Power of Attorney form is attached to these guidelines.**

4. EDGAR Filings. All Forms 3, 4 and 5 are filed through the SEC's electronic filing system called EDGAR and are posted on the Company's website. You have been assigned a filing number and password which the Company maintains and uses to facilitate your filings. Accordingly, between the Pre-Clearance provisions noted above, the Power of Attorney you are granting to the Filing Coordinator, and the ability to file electronically, we believe we have minimized to the greatest extent possible the risk of a late filing.

Rule 144

If you are an officer or director of the Company, you are also deemed a Company "affiliate" under the securities laws, making your sales of shares subject to special limitations. To avoid possible liability, all officers and directors are required to comply with SEC Rule 144 in selling shares.

1. Six Month Holding Period. SEC Rule 144 imposes a six month holding period on so-called "restricted securities." These are securities acquired from an issuer in a chain of transactions not involving a registered offering. Accordingly, unless you acquired your shares (a) in the Company's 1989 recapitalization transaction, (b) on the open market, or (c) directly from the Company under a benefit plan pursuant to a prospectus registered with the SEC on Form S-8, you must have held the shares for six months prior to sale. If the six month holding period applies to shares you acquired with a promissory note or installment contract, the six month period does not begin to run until the entire purchase price for the shares in question has been paid.

2. Brokered Transaction. Regardless of how you acquired your shares, you may only sell in an unsolicited transaction through a licensed broker or to a market maker in Company shares. You must inform the broker or market maker of your status as a Company affiliate.

3. Limitation. In any three months, sales by you, your family and household members, affiliates and other entities in which you hold a 10% or greater interest may not exceed the greater of (a) 1% of outstanding Company Common Shares, or (b) the average weekly reported trading volume of Company shares on The NASDAQ Stock Market for the four calendar weeks preceding your Form 144 filing (or, if no filing is required, the time you direct your broker to effect the sale).

4. Form 144. If your sales (and those of your associates described in item (3) of the Form 144) in any three months exceed either $50,000 or 5,000 shares, you must file Form 144. If a paper copy of the Form 144 is filed, three copies must be filed with the SEC and one copy with NASDAQ at the following addresses:

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Listing Qualifications
The NASDAQ Stock Market
9600 Blackwell Road
Rockville, MD 20850

The filing must be mailed by the time you place your order with your broker.

Assistance. Normally, your broker will assist you with Form 144. Remember to pre-clear all transactions with the Filing Coordinator. Questions or requests for assistance may be directed to the Filing Coordinator.

Window Periods and Rule 10b-5 Compliance

1. Transactions During "Window Periods" only. Officers and directors may only purchase or sell Company shares during the periods beginning on the second business day immediately following the public release of quarterly and annual financial information for the Company and ending on the 15th day before the end of the fiscal quarter following the period covered by the earnings release. In this period of time, the "window" for trading Company stock is open, subject to pre-clearance with the Chief Financial Officer. Thus, for example, if earnings are released on April 26, trading could begin on April 28.

2. No Transactions While in Possession of Material Non-Public Information. SEC Rule 10b-5 makes it unlawful for an officer or director (and others) to buy or sell a security when the person effecting the transaction is aware of material non-public information about the Company or the security, as is described in more detail in the Company's Prohibited Conduct and Prohibited Transaction Policies. The window period restrictions are simply a preventive measure, geared to identify periods when it may be more likely that officers and directors will be aware of material non-public information. Remember, however, that **no officer of director may purchase, sell, or transfer Company shares at any time he or she possesses material non-public information, not even during the window periods.**

3. Rule 10b5-1 Plans. Company-approved "Rule 10b5-1 Plans" provide an exception to the requirement restricting trading of Company securities to the window periods described above. In other words, the policy would permit transactions that comply with Rule 10b5-1 even where such transactions occur outside of a window period.

Rule 10b5-1 protects officers and directors by providing an affirmative defense to insider trading liability under Rule 10b-5 for transactions under a previously established contract, instruction or plan meeting certain requirements. For example, an insider could enter into a Rule 10b5-1 Plan stating the number of shares to sell at a specific price during the period when the trading window is open. If the Company stock could not be sold during this period in the absence of a Rule 10b5-1 Plan (because the person was aware of material non-public information about the Company or its securities), a Rule 10b5-1 Plan would nevertheless allow for the sale of the Company stock during that period. Compliance with Rule 10b5-1 requires, among other things, that the transaction must occur pursuant to a binding contract, specific instruction or written plan that came into existence before the person became aware of material non-public information. The contract, instruction or plan also must meet certain requirements, including that it not permit the person to exercise any subsequent influence over how, when or whether to effect purchases or sales.

Any director or executive officer interested in establishing a Rule 10b5-1 Plan for trading in the Company's stock should contact his or her own broker. Please note, however, that the Company must pre-approve, through the Chief Financial Officer, any Rule 10b5-1 Plan.

Prohibited Transactions

Section 16(c) of the 1934 Act makes it unlawful for directors and executive officers to engage in "short-selling" transactions. As a matter of Company policy, no directors or executive officers may engage in any speculative transactions involving Company shares, such as purchases of Company shares on margin and buying or selling puts or calls, as these transactions attempt to profit from fluctuations in the price of Company shares irrespective of their underlying value.

In addition, certain forms of hedging or monetization transactions, such as zero-cost dollars and forward sale contracts, allow an equity security holder to lock in much of the value of his or her Company equity security holdings, often in exchange for all or part of the potential for upside appreciation in the equity securities. These transactions allow an equity security holder to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the equity security holder may no longer have the same objectives as the Company's other shareholders. In order to avoid this situation directors and executive officers are prohibited from engaging in any hedging or monetization transactions involving Company equity securities.

Finally, pledges of Company equity securities may result in limiting the risk and rewards of share ownership and may also lead to sales of the shares outside an individual's control. Accordingly, directors and executive officers may not pledge Company equity securities.

Your Responsibility

Full compliance with your reporting and other obligations under the securities laws is your personal responsibility. While this statement sets forth guidelines, it is not exhaustive. Although the Filing Coordinator should be able to assist you with routine filings, you should direct any significant questions to your own counsel.