



F L E X S T E E L ®

**Flexsteel Industries Inc.  
Supplier Agreement**

PREAMBLE

This Supplier Agreement (this "Agreement") is entered into as of [DATE] (the "**Effective Date**"), between [NAME OF SUPPLIER] ("**Supplier**"), and Flexsteel Industries Inc., a Minnesota corporation with its principal office location at 385 Bell St., Dubuque, Iowa 52001 U.S.A. and its subsidiaries ("**Flexsteel**").

**ARTICLE I**

**Scope; Definitions; Schedules**

**Section 1.01. Scope.** This Agreement, including all the Individual Transactions (as defined in Section 1.02 of this Agreement) and all schedules, exhibits, attachments or appendices specifically referenced herein and therein, describes the terms, conditions and procedures under which Supplier agrees to design, engineer, manufacture, assemble, and supply, either directly through its network of distributors, dealers or third-party representatives, certain Goods to Flexsteel in accordance with the terms and conditions of this Agreement and the applicable Purchase Order (as defined in Section 1.02 of this Agreement.)

**Section 1.02. Definitions.** The following terms used in this Agreement shall have the meanings specified in this Section 1.02. Additional terms used in this Agreement are defined in the relevant sections, schedules, exhibits, attachments or appendices as applicable.

**"Agreement"** means this Supplier Agreement and all Individual Transactions and all schedules, exhibits, attachments or appendices specifically referenced herein and therein.

**"Business Day"** means any day other than Saturday, Sunday or a United States federal holiday.

**"Confidential Information"** has the meaning set forth in Section 10.01 of this Agreement.

**"Defective"** means not conforming to the warranties expressly provided in Sections 12.01 of this Agreement.

**"Defective Goods"** means goods supplied to Flexsteel, or its designee, pursuant to this Agreement that Flexsteel deems to be Defective.

**"Delivery Date"** means the scheduled date for delivery of Goods to the Delivery Location specified in the applicable Purchase Order.

**"Delivery Location"** means the street address or other identifying information for delivery of Goods specified in the applicable Purchase Order.

**"Excess Goods"** means Goods that, when counted together with all other Goods having the same make/ model number/ UPC/ SKU and received by Flexsteel under the same Purchase Order, are in excess of the quantities of the Goods ordered under the Purchase Order.

**“Effective Date”** means the date set forth above in the Preamble.

**“Electrical System”** means a system of wiring, switches, relays, and other equipment associated with receiving and distributing electricity.

**“Force Majeure Event”** has the meaning set forth in Section 15.11 of this Agreement.

**“Forecast”** means a good faith, non-binding projection or estimate of Flexsteel’s periodic requirements for the Goods which approximates, as nearly as possible, based on information available at the time to Flexsteel, the quantity of Goods that Flexsteel may require for such specified period.

**“Goods”** means the products identified on the applicable Purchase Order (as defined in this Section 1.02 of this Agreement.)

**“Individual Transaction”** means each individual purchase of Goods pursuant to the applicable Purchase Order placed with Supplier by Flexsteel to be governed by this Agreement and the terms and conditions of the applicable Purchase Order, which incorporates by reference the terms and conditions of this Agreement.

**“Initial Term”** has the meaning set forth in Section 9.01 of this Agreement.

**“Intellectual Property”** means Flexsteel’s trade secrets, confidential and proprietary business information, unpatented inventions, plans, product specifications, ideas, concepts, techniques, inventions, works of authorship, documents, diagrams, drawings, designs, processes, protocols, software, algorithms, technology, know-how, or other information or subject matter, including, without limitation, all patents, patent rights, provisional patent applications, divisions, continuations, continuations-in-part, renewals, reissues, reexaminations, and extensions, copyrights, trademarks, service marks and all applications and registrations for each of the foregoing, regardless of whether such rights arise under the law of the United States or any other state, country or jurisdiction as may now exist or hereafter come into existence.

**“Law”** means any statute, law, ordinance, regulation, rule, code, constitution, treaty, common law, Governmental Order or other requirement or rule of law of any Governmental Authority.

**“Nonconforming Goods”** means any Goods received Flexsteel pursuant to this Agreement and any applicable Purchase Order that: (i) do not conform to the make/model number/UPC/SKU listed in the applicable Purchase Order; (ii) do not fully conform to the Specifications; or (iii) on visual inspection, Flexsteel determines are otherwise Defective. Where the context requires, Nonconforming Goods are deemed to be Goods for the purposes of this Agreement.

**“Party” or “Parties”** has the meaning set forth in the Preamble of this Agreement.

**“Price” or “Prices”** has the meaning prescribed in Section 8.01 of this Agreement.

**“Purchase Order”** means Flexsteel’s purchase order issued to Supplier hereunder, including all terms and conditions attached to, or incorporated into, such purchase order, including, but not limited to, the terms and conditions provided pursuant to this Agreement.

**“Representatives”** means a Party’s affiliates, and each of their respective personnel, officers, directors, partners, shareholders, members, agents, attorneys, third-party advisors, successors and permitted assigns.

**“Specifications”** means the requirements for the Goods pursuant to attached Schedule 1.

**“Substantial Process Change”** means any change in the production process for Goods that is significantly different from the previously utilized and agreed upon process. Substantial process changes include, but are

not limited to, the following: a print or specification revisions, selecting a different manufacturer, using different production facilities, or any change in finish treatments such as stain, lacquer and paint.

“**Supplier**” has the meaning set forth in the Preamble of this Agreement.

“**Term**” has the meaning set forth in Section 9.02 of this Agreement.

**1.03. Schedules and Exhibits.** Schedule I attached hereto and incorporated herein by reference, becomes and is an integral part of this Agreement and provides the standard terms for the purchase of the Goods pursuant to this Agreement, including, but not limited to the following: (i) standard terms of purchase, (ii) prices; and (iii) specifications and standards of manufacture. Exhibit B attached hereto and incorporated by reference, is the *Flexsteel Industries, Inc. Supplier Agreement Compliance Requirements*, to which Supplier must comply at all times during the term of this Agreement.

## **ARTICLE II**

### **Agreement to Purchase and Sale of Goods**

**Section 2.01 Goods Purchased.** Supplier agrees to sell, and Flexsteel agrees to buy, the Goods set forth in the Purchase Order.

**Section 2.02 No Minimum Quantities.** Notwithstanding any Forecasts, Flexsteel is not obligated to purchase any minimum quantities of Goods from Seller under this Agreement, nor is Flexsteel making any commitment to acquire any minimum quantity of Flexsteel’s requirements for such Goods.

## **ARTICLE III**

### **Order of Precedence**

**Section 3.01 Order of Precedence.** The express terms and conditions contained in this Agreement and the Basic Purchase Order Terms exclusively govern and control each of the Parties’ respective rights and obligations regarding the purchase and sale of the Goods, and the Parties’ agreement is expressly limited to such terms and conditions. Notwithstanding the foregoing, if any term or condition provided pursuant a Purchase Order conflicts with any term or condition contained in this Agreement, the order of precedence is as follows: (a) the terms of the relevant Purchase Order, then (b) this Agreement. Except as otherwise mutually agreed by the Parties, each Individual Transaction consists of the terms and conditions of each Purchase Order and the terms and conditions of this Agreement

Without limitation of anything contained in this Article III, any additional, contrary or different terms contained in any of Supplier’s invoices or other communications, and any other attempt to modify, supersede, supplement or otherwise alter this Agreement, are deemed rejected by Flexsteel and will not modify this Agreement or be binding on the Parties unless such terms have been fully approved in a signed writing by authorized Representatives of both Parties.

## **ARTICLE IV**

### **Non-Binding Forecasts**

**Section 4.01 Provision of Forecasts.** From time-to-time, Flexsteel may, but shall not be required to supply Supplier with Forecasts.

**Section 4.02 Forecasts are Non-binding.** The Forecasts are for information purposes only. Any quantities for Goods cited in a Forecast or pursuant to this Agreement, except for quantities for Goods reflected in a validly issued Purchase Order as firm, are preliminary and non-binding. Flexsteel makes no representation or warranty as to the quantity of Goods reflected in any Forecast.

**ARTICLE V**  
**Order Procedure**

**Section 5.01 Purchase Order Acknowledgement.** It is the Supplier's responsibility and obligation to acknowledge each Purchase Order within forty-eight (48) hours of receipt. For international Suppliers, this acknowledgement should be communicated in the form of updating the committed ship date into the Flexsteel Purchase Order System (the "FSPO").

It is the Supplier's responsibility and obligation to audit each Purchase Order prior to submitting the acknowledgment, and Supplier must communicate to Flexsteel any discrepancies identified from such audit within forty-eight (48) hours of receipt of the Purchase Order, otherwise, the Purchase Order will be deemed acknowledged by Supplier. For international Suppliers, this audit should include validating pricing, description of Goods, quantities, and ship date, as well as container loadability (e.g. if Flexsteel purchases full container load ("FCL") volume).

Failure on behalf of the Supplier to audit each Purchase Order and communicate discrepancies to Flexsteel, if any, will constitute an acknowledgment of the Purchase Order and Flexsteel will be obligated to pay only the price(s) for the Goods identified on the Purchase Order. Supplier will be liable for all production errors and associated costs resulting from, among other factors, Supplier not validating the description of the Goods against Supplier's manufacturing resource planning (MRP) specifications.

**ARTICLE VI**  
**Shipment and Delivery**

**6.01 Shipment and Delivery Requirements.** Subject to Section 16.11 of this Agreement, time, quantity, and delivery to the Delivery Location are of the essence under this Agreement. Supplier shall assemble, pack, mark and ship Goods strictly in the quantities, by the methods, to the Delivery Locations and by the Delivery Dates, specified in the applicable Purchase Order. Unless specified in the applicable Purchase Order, Delivery of Goods shall be at the times the Goods are actually received by Flexsteel at the Delivery Location. If Supplier does not comply with the terms, conditions and obligation under this Section 6.01, Flexsteel may, in its sole discretion without limiting all other rights or remedies available to it under this Agreement or pursuant to applicable Law, at Supplier's sole cost and expense:

- (a) approve a revised Delivery Date; or
- (b) require expedited or premium shipment.

Unless otherwise expressly agreed to by the Parties in writing, Supplier will not make partial shipments of Goods to Flexsteel.

**Section 6.02 Packaging and Labeling.** Supplier shall properly pack, mark and ship Goods pursuant to the Specifications and requirements identified in Schedule I to this Agreement and in accordance with applicable Law and industry standards. Supplier will provide Flexsteel with shipment documentation identifying the Purchase Order number, Supplier's identification number for the subject Goods, the quantity of Goods in shipment, the number of cartons or containers in shipment, Supplier's name, the bill of lading number and the country of origin.

**Section 6.03 Product Standards.** The Goods shall comply with Flexsteel's standards and Specifications as set forth in Schedule I to this Agreement, and conform to all control and pre-production sampling as may be required of Supplier by Flexsteel from time to time. Before Supplier may commence, on behalf of Flexsteel,

with production of the Goods, all samples, including pre-production and finish samples, must be approved in writing by both the Supplier and duly authorized representative of Flexsteel on behalf of Flexsteel.

The Supplier shall not subcontract any work associated with the production of the Goods. This includes but is not limited to, finishing, assembly, manufacturing, and packaging. If the Supplier requires the use of a subcontractor, Supplier must notify the Flexsteel in writing of the need for subcontracted services and obtain Flexsteel's prior written approval prior to engagement of such subcontractor. Flexsteel's consent to Supplier's use of subcontracted services for the Goods shall be subject to, among other conditions as determined by Flexsteel in its sole discretion, Flexsteel's full inspection and quality monitoring of the subcontractor's facility before and during production, as requested by Flexsteel.

**Section 6.04 Substantial Process Changes.** Substantial Process Changes shall not be made without the prior written approval from a duly authorized representative of Flexsteel. A completed and signed Engineering Change Request/Verification Warrant will serve as the evidence of Flexsteel's approval, a form of which has been attached to this Agreement as Exhibit A.

**Section 6.05 Inspection and Acceptance of Goods.** The Goods shall be subject to inspection upon receipt by Flexsteel, and may be rejected as Defective Goods, Excess Goods or Nonconforming Goods as revealed by such inspection or by analysis or the use thereof any time thereafter. Rejected materials may either be returned to Supplier for full refund of product cost and transportation charges incurred by Flexsteel or provide fair agreed upon reimbursement to Flexsteel to allow the disposal or liquidation of the product. At Flexsteel discretion to exercise, Nonconforming Goods will be subject to a \$250 USD returned goods authorization processing fee per occurrence. If repair is possible, the Supplier will reimburse Flexsteel for all fees, costs and expenses associated with the repair of the Goods, including, but not limited to labor and material, shipping and freight costs incurred by Flexsteel. . The Supplier will have thirty (30) calendar days from Flexsteel's written notice to Supplier to remedy Defective Goods, Excess Goods or Nonconforming Goods.

## ARTICLE VII

### Title and Risk of Loss

**Section 7.01 Title.** Title to Goods shipped under any Individual Transaction passes to Flexsteel pursuant to the applicable Purchase Order. Title will transfer to even if Supplier has not been paid, in whole or in part, for such Goods.

**Section 7.02 Risk of Loss.** Notwithstanding any agreement between Flexsteel and Supplier concerning transfer of title, risk of loss to Goods shipped under any Individual Transaction passes to Flexsteel pursuant to the terms of the applicable Purchase Order.

## ARTICLE VIII

### Price and Payment

**Section 8.01 Price.** Supplier shall provide Goods to Flexsteel for the prices set forth on Schedule I attached hereto ("**Prices**"). All Prices are in United States (U.S.) currency. All Prices include, and Supplier is solely responsible for, all costs and expenses relating to packing, crating, boxing, transporting, loading and unloading, customs, Taxes, tariffs and duties, insurance and any other similar financial contributions or obligations relating to the production, manufacture, sale and delivery of the Goods pursuant to the terms and conditions provided in this Agreement. All Prices are firm and are not subject to increase for any reason, including, but not limited to, any change in market conditions, increases in raw material, component, labor or overhead costs or because of labor disruptions, or fluctuations in production volumes. To be considered by Flexsteel, any request from Supplier to initiate a change to the Prices (a "**Price Change**") must be made in writing to Flexsteel at least ninety (90) days prior to the requested Effective Date of such Price Change and, if agreed to by Flexsteel, will only apply to Purchase Orders placed by Flexsteel with Supplier for Goods ordered

after the Effective Date. To be effective, each Price Change requires prior written approval of Flexsteel. Flexsteel's rejection of a request for a Price Change will not constitute an event of termination of this Agreement, and the Prices for Goods in place on the date of Supplier's request to Flexsteel for a Price Change will remain in effect.

**Section 8.02 Payment.** Payment of Goods shall be made to the Supplier subject to the payment terms appearing on Schedule I to this Agreement. All payments shall be made by ACH and/or wire transfer of immediately available funds in U.S. currency. Payment discount terms, if any, are reflected on Schedule I. Invoice must be issued electronically by EDI or email within three (3) days of the factory load date. If the invoice is issued on a date later than the required date above, the required payment date will be pro-rated accordingly.

If Supplier fails to submit the correct invoice, the Effective Date will become the date the correct invoice is received by Flexsteel at the correct location.

**Section 8.03 Invoice Dispute.** Flexsteel shall notify Supplier of any dispute with any invoice within thirty (30) Business Days from Flexsteel's receipt of such invoice. The Parties shall seek to resolve all such disputes expeditiously and in good faith. Notwithstanding anything to the contrary, Supplier shall continue performing its obligations under this Agreement during any such dispute.

## **ARTICLE IX Term and Termination**

**Section 9.01 Term.** The "Initial Term" of this Agreement commences on the Effective Date and continues for a period of one (1) year unless and until earlier terminated as provided under this Agreement or applicable Law.

**Section 9.02 Renewal Term.** Upon expiration of the Initial Term, this Agreement will automatically renew for one (1) additional one (1) year term (the "Renewal Term") and shall automatically renew for additional Renewal Terms thereafter unless and until either Party provides written notice to the other Party of such Party's election not to renew this Agreement for the Renewal Term, with such written notice being provided at least ninety (90) days before the end of Initial Term. The Initial Term and any applicable Renewal Term shall be collectively referred to in this Agreement as the "Term."

**Section 9.03 Termination for Convenience.** At any time during the Term of this Agreement, either Party may terminate this Agreement by providing written notice to the other Party no sooner than ninety (90) days prior to the effective date of termination. In the event of termination by Flexsteel pursuant to this Section 9.03, the Supplier shall complete and deliver Goods pursuant to those Purchase Orders placed by Flexsteel prior to the effective date of termination.

**Section 9.04 Termination.** This Agreement may be terminated by either Party, effective immediately and without any requirement of notice if:

- (a) the other Party files a petition in bankruptcy, files a petition seeking any reorganization, arrangement, composition, or similar relief under any Law regarding insolvency or relief for debtors, or makes an assignment for the benefit of creditors;
- (b) a receiver, trustee or similar officer is appointed for the business or property of such other Party;
- (c) any involuntary petition or proceeding under bankruptcy or insolvency Laws is instituted against such other Party and not delayed, enjoined or discharged within sixty (60) days;

- (d) the failure to make available or deliver the Goods in the time and manner established in the Purchase Order; and
- (e) in the event of a Force Majeure Event affecting the Supplier's performance of this Agreement for more than thirty (30) consecutive days.

In addition to any and all other rights available at Law or in equity, if either Party defaults by failing to substantially perform any material provision, term or condition of this Agreement, the other Party may elect to cancel this Agreement if the default is not cured within thirty (30) calendar days after providing written notice to the defaulting Party. The notice shall describe with sufficient detail the nature of the default.

**Section 9.05 Effect of Termination.** Upon the expiration or earlier termination of this Agreement, each Party shall promptly:

- (a) Destroy all documents and tangible materials (and any copies) containing, reflecting, incorporating or based on the Owing Party's Confidential Information;
- (b) Permanently erase all of the Owing Party's Confidential Information from its computer system, except for copies that are maintained as archive copies on a disaster recovery and/or information technology backup systems, or copies that such Party is required to maintain in accordance with applicable Law. Each Party shall destroy any such copies upon the normal expiration of its backup files.
- (c) Certify in writing to the Owing Party that it has complied with the requirements of this clause.

## **ARTICLE X: Confidentiality**

### **Section 10.01 Confidentiality.**

- (a) Non-Disclosure. Each Party agrees, on behalf of itself, its agents, employees, parents, subsidiaries, officers, directors, members, shareholders, equity owners and all other persons acting on or for its behalf, (i) to keep secret all Confidential Information of the other Party ("**Owing Party**") and not to disclose such Confidential Information, either directly or indirectly, to any third party, and (ii) not to use any such Confidential Information for any purpose other than in the performance of its obligations under this Agreement, unless and only to the extent authorized in writing by the Owing Party; provided, however, that other than with respect to Confidential Information which constitutes a trade secret under applicable law (in which event the covenant against disclosure and use shall be effective as long as said information remains a trade secret), the covenant against the disclosure or use of Confidential Information shall have a term which expires five (5) years after the initial disclosure to the receiving Party of such Confidential Information.
- (b) Disclosure Exceptions. The obligations of Section 10.01(a) above shall not apply to any information: (i) that is released pursuant to a binding court order or governmental regulation, provided that the receiving Party delivers a copy of such order or action to the Owing Party and has reasonably cooperated with the Owing Party if it elects to contest such disclosure or seek an appropriate remedy such as a protective order; or (ii) is otherwise necessary to disclose in order to prosecute or defend litigation or comply with applicable law, including regulatory filings, or otherwise establish rights or enforce obligations under this Agreement, but only to the extent that any such disclosure is reasonably necessary and only after providing the Owing Party with fifteen (15) days' advance written notice prior to the proposed disclosure of the Confidential Information.

- (c) Precautions. The Parties mutually agree to take all reasonably necessary steps, and to prepare and execute all necessary documents, to protect and prohibit the disclosure of the Owing Party's Confidential Information using the higher of a reasonable standard of care or the care used by the Owing Party to protect its own Confidential Information. Each Party will immediately notify the other Party of any suspected loss of confidentiality with respect to such Owing Party's Confidential Information.
- (d) Remedies. In the event of a breach or threatened breach by either Party of such Party's obligations in this Section, 10.01 given the difficulty of measuring damages occasioned by breach, and the inadequacy of money damages for such breach, the Owing Party shall be entitled to obtain any and all appropriate equitable remedies to restrain any such breach or threatened breach. The right to equitable remedies, however, shall be in addition to, and not in lieu of, any and all other rights and/or remedies which might be available at law to the Owing Party.
- (e) Return or Destruction of Property. As provided in Section 9.05 of this Agreement, upon request, each Party shall immediately return to the Owing Party any and all of the Owing Party's Confidential Information, whether in written, printed or other tangible form, including any and all originals, copies thereof and samples, materials, notes and/or other collateral materials derived from such Confidential Information. Further, upon request of the Owing Party, the receiving Party shall destroy all of the Owing Party's Confidential Information that is in the receiving Party's possession or over which the receiving Party has control. The receiving Party shall provide the Owing Party with a certificate, from a duly authorized representative of the receiving Party, that the Owing Party's Confidential Information was destroyed as directed..

**Section 10.02 Special Limited Authorizations.** The Supplier has been granted limited authority to use Flexsteel's Intellectual Property whether registered or unregistered in the manufacturing, and labeling process of Goods manufactured exclusively for Flexsteel, and shipping said Goods to the designated locations directed by Flexsteel. Supplier acknowledges that said marking with Flexsteel's Intellectual Property will be strictly limited to said Goods, will strictly follow Flexsteel's directions and instructions as regarding said use, that there will be no use that does not meet Flexsteel's quality standards, and that said use will, at all times, inure to the benefit of Flexsteel. In the event Goods marked with Flexsteel's Intellectual Property are for any reason not accepted by Flexsteel for sale by Flexsteel, those Goods shall not be further distributed in any geographical location with said Trademark(s). Supplier acknowledges and agrees that Flexsteel owns all right, title and interest in and to Flexsteel's Intellectual Property at all times.

The Supplier has been granted limited authority to use Flexsteel's spring units & helicals, provided to the Supplier from Flexsteel, to manufacture Goods exclusively for Flexsteel, and shipping to the designated locations authorized by Flexsteel. Supplier must perform a monthly inventory and account for Flexsteel's unused spring inventory located in the Supplier's warehouse. Supplier has the right to inspect any and all documentation with respect to said inventory and Supplier has the right, upon reasonable notice to perform its own inventory of goods located within the manufacturing and warehouse facilities. In the event Goods with Flexsteel's spring units or helicals are for any reason not accepted by Flexsteel for sale by Flexsteel, those Goods shall not be further distributed in any geographical location.

Because of the critical importance of assuring exclusivity and maintaining Flexsteel's marketing channels, and the difficulty in computing actual damages in the case of breach, if Supplier uses Flexsteel's spring inventory for production that violates the above requirements, Supplier agrees to allow Flexsteel to deduct from payment, liquidated damages in the amount of \$10,000 per occurrence plus cost of springs at Flexsteel's sole option. This provision is for liquidated damages and is recognized by the Parties as being included for convenience and because of the potential difficulty in calculating damages, and is not a penalty.



This provision in no way restricts Flexsteel's rights to more complete damages, should they be provable in an amount greater than \$10,000 per occurrence, and in no way restricts or limits Flexsteel's right to equitable relief.

## **ARTICLE XI: Obligations of Supplier**

**Section 11.01 General Requirements.** This Agreement is subject to the Parties' strict compliance with applicable Laws. Supplier covenants to the other that it will strictly adhere to the provisions of applicable Law in the performance of Supplier's obligations pursuant to this Agreement. Supplier further covenants that it shall comply with the terms, conditions and requirements of and pursuant to the *Flexsteel Industries, Inc. Supplier Agreement Compliance Requirements* (the "**Flexsteel Supplier Compliance Requirements**") a current copy of which is attached to this Agreement as Exhibit B. Flexsteel may modify or amend the Flexsteel Supplier Compliance Requirements at any time, at its sole discretion, and without the consent of Supplier. Flexsteel shall provide Supplier with a copy of the material amendments or modifications to the Flexsteel Supplier Compliance Requirements from time to time.

**Section 11.02 Compliance with Regulatory Requirements.** Supplier is responsible and liable for compliance with all applicable regulatory requirements for the Goods in the country of Flexsteel's intended use of such Goods including but not limited to: CARB, 10+2 Import Security Filing, CFR1303 Lead Base Paint, Lacey Act (APHIS), California Proposition 65, SB 657 California Transparency Act, Social Compliance, Cal TB 117/ 133 2013, SB 1019, Dodd-Frank Conflict Mineral, and such other regulatory requirements as Flexsteel may identify to Supplier. Supplier will and will cause any person or entity acting on its behalf to fully comply with all applicable Laws, governmental, legal regulatory and professional requirements, including, but not limited to anti-money laundering, anti-corruption and anti-bribery Laws (including, without limitation, the Foreign Corrupt Practices Act, the UK Bribery Act and Proceeds of Crime Act, and commercial bribery Laws).

The Supplier will be responsible to reimburse Flexsteel in full for any charges, penalties, or ancillary costs associated with non-compliance to the above listed regulations and any additional regulations that may transpire between contract year signing.

If a violation is identified, Flexsteel reserves the right to cancel all open purchase orders with the Supplier at the Supplier's expense and to immediately terminate this Agreement.

**Section 11.03 OFAC; Conflict Minerals.** None of Supplier or any of its officers, directors or employees is on any list of prohibited countries, individuals, organizations or entities that is administered or maintained by the U.S. Office of Foreign Asset Control ("**OFAC**"), including, but not limited to the List of Specialty Designated Nationals and Blocked Persons, or on any similar list not maintained by OFAC, nor will Supplier cause or allow any funds received pursuant to this Agreement to be provided to any country, individual, organization or entity on any such list. If in the performance of its duties and obligations pursuant to this Agreement, Supplier provides Goods, components of Goods or materials to Flexsteel to complete performance of this Agreement, Supplier affirms that no Good, part of a Good or material contains any lead or lead based-paints, asbestos, asbestos-containing materials, conflict minerals or otherwise prohibited materials. Supplier affirms that it does not source conflict minerals and is in compliance with all obligations and requirements pursuant to the Conflict Minerals Statutory Provisions of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 13(p) of the Securities Exchange Act of 1934 relating to the use of conflict minerals. Supplier has and will maintain a process to ensure compliance with this Section 11.03.

**Section 11.04 Electrical Systems.** Any Supplier proposing a change, or changes to, an electrical system or electrical component, shall comply with the Substantial Process Clause under Section 6.04 of this Agreement.

**Section 11.05 Protection against Supply Interruptions.** Supplier shall, at Supplier's sole cost and expense, take such actions as are necessary or appropriate to ensure the uninterrupted supply of Goods to Flexsteel

for not less than ninety (90) days during any foreseeable or anticipated event or circumstance that could interrupt or delay Supplier's performance under this Agreement, including any labor disruption, whether or not resulting from the expiration of Supplier's labor contracts (and whether or not such occurrence constitutes a Force Majeure Event hereunder).

**ARTICLE XII:  
Supplier's Representations and Warranties**

**Section 12.01 Warranties.** Supplier warrants to Flexsteel as follows:

- (a) For a period of 12 months from the date of shipment of the Goods (the "Warranty Period"), such Goods will conform to the Specifications and will be free from significant defects in material and workmanship;
- (b) Goods are free of defects in design;
- (c) No claim, lien or action exists or is threatened against Supplier that would interfere with Flexsteel's use or sale of the Goods;
- (d) The Goods do not infringe any third-party Intellectual Property Rights; and
- (e) Flexsteel will receive good and valid title to the Goods, free and clear of all encumbrances and liens of any kind.

**Section 12.02 Remedies for Breach of Warranty.** Flexsteel's remedies for Supplier's breach of Section 12.01 include, but are not limited to, the remedies provided in Schedule I.

For such Goods, Flexsteel shall ship, at Supplier's expense and risk of loss, such allegedly Defective Goods to the nearest authorized Supplier location and Supplier will, at Supplier's expense and risk of loss, return any repaired or replaced Good to a location designated by Flexsteel in a timely manner.

**ARTICLE XIII  
Indemnification**

**Section 13.01 Indemnification.**

- (a) By Supplier. To the fullest extent permitted by law, Supplier agrees to protect, defend, indemnify and hold harmless Flexsteel (including Flexsteel's officers, customers, agents, employees, representatives, and affiliated companies) from and against all claims, causes of action, suits and liabilities of every kind, including all expenses of litigation, court costs, and attorneys' fees, for injuries to or death of any person (including, but not limited to, Flexsteel's employees or Supplier's employees that may enter upon Flexsteel's premises), or for damage to any tangible or intangible property or property rights (including, but not limited to, purely economic losses), arising out of or relating to the Supplier's manufacture, design, sale, transportation, distribution, installation, performance, erection, testing, recall, or the breach of this Agreement except to the extent of Flexsteel's gross negligence or willful misconduct.
- (b) By Flexsteel. To the fullest extent permitted by law, Flexsteel agrees to protect, defend, indemnify and hold harmless Supplier (including Supplier's officers, customers, agents, employees, representatives, and affiliated companies) from and against all claims, causes of action, suits and

liabilities of every kind, including all expenses of litigation, court costs, and attorneys' fees, for injuries to or death of any person (including, but not limited to, Flexsteel's employees or Supplier's employees that may enter upon Flexsteel's premises), or for damage to any tangible or intangible property or property rights (including, but not limited to, purely economic losses), arising out of or relating to Flexsteel's use, after delivery or completion, of any goods and services provided hereunder except to the extent of Supplier's negligence or breach of this Agreement.

- (c) Supplier's Intellectual Property Indemnification. Supplier agrees to defend, indemnify and hold Flexsteel harmless from any and all claims, causes of action, demands, or disputes which allege, in whole or in part, any United States or foreign patent, trademark or copyright infringement with respect to the design, manufacture, sale, distribution or transportation of the goods or services provided by Flexsteel. Said protection and indemnification shall include indemnification for Flexsteel's expenses of litigation, court costs, expert expenses and attorneys' fees.

#### **ARTICLE XIV: Insurance Obligations**

**Section 14.01 Insurance.** Notwithstanding the indemnity provisions of Article XIII of this Agreement, during the Term of this Agreement, Supplier will, at its own expense, maintain and carry in full force and effect the following types and amounts of insurance coverage:

- (a) Commercial general liability with limits no less than \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, which policy will include contractual liability coverage insuring the activities of Supplier under this Agreement;
- (b) Worker's compensation as required by applicable law; and
- (c) Commercial automobile liability, with limits no less than \$1,000,000, combined single limit for each occurrence involving personal injuries and/or property damage; and
- (d) Umbrella (excess) liability for the coverage in Section 14.01(a) and Section 14.01(c), with limits no less than \$1,000,000;

Supplier shall also name Flexsteel Industries, Inc. and its wholly owned subsidiaries, agents, affiliates, owners, officers, directors, and employees as additional insured on the General Liability and Auto Liability coverage. With respect to General Liability, the additional insured coverage must include Supplier's coverage. This can be accomplished by ISO endorsements CG2015 (07.04), or equivalent. A Waiver of Subrogation in favor of Flexsteel Industries, Inc. and its wholly owned subsidiaries, agents, affiliates, owners, officers, directors, and employees, must be included on the General Liability, Auto Liability, and Workers Compensation coverage.

**Section 14.02 Insurance Certificates.** On Flexsteel's written request, Supplier shall provide Flexsteel with copies of the certificates of insurance and policy endorsements for all insurance coverage required by this Article XIII, and shall not do anything to invalidate such insurance. This Section shall not be construed in any manner as waiving, restricting or limiting the liability of either Party for any obligations imposed under this Agreement (including but not limited to, any provisions requiring a party hereto to indemnify, defend and hold the other harmless under this Agreement). Flexsteel's failure to collect an insurance certificate does not negate the insurance requirements set forth in Section 15.01.

**Section 14.03 Insurance for Supplier's Subcontractors and Delegates.** Flexsteel reserves the right to require that all subcontractors and delegates approved by Flexsteel and engaged by Supplier to complete Supplier's obligations pursuant to this Agreement procure the same or equivalent insurance coverages for Flexsteel's benefit as required of Supplier and similarly endorsed as provided in this Article XIV.

**ARTICLE XV:  
Miscellaneous**

**Section 15.01 Entire Agreement.** This Agreement, including the applicable Purchase Orders and all attached Exhibits and Attachments, contains the entire agreement of the Parties regarding the subject matter of this Agreement, and there are no other promises or conditions in any other agreement whether oral or written. This Agreement supersedes any prior written or oral agreements between the Parties.

**Section 15.02 Amendment.** This Agreement may be modified or amended if the amendment is made in writing and signed by both Parties.

**Section 15.03 Severability.** If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

**Section 15.04 Waiver of Contractual Right.** The failure of either Party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that Party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

**Section 15.05 Notices.** All notices, requests, consents, claims, demands, waivers and other communications under this Agreement (each, a “**Notice**”, and with the correlative meaning “**Notify**”) must be in writing and addressed to the other Party at its address set forth below (or to such other address that the receiving Party may designate from time to time in accordance with this Section). Unless otherwise agreed herein, all Notices must be delivered by personal delivery, nationally recognized overnight courier or certified or registered mail (in each case, return receipt requested, postage prepaid). Notwithstanding the foregoing, for the purposes of Section[s] [insert sections with notice requirements], Notice given by facsimile or e-mail (with confirmation of transmission), will satisfy the requirements of this Section 15.05. Except as otherwise provided in this Agreement, a Notice is effective only (a) on receipt by the receiving Party, and (b) if the Party giving the Notice has complied with the requirements of this Section.

Notice to Flexsteel:	385 Bell Street, Dubuque, IA 52001 Facsimile: E-mail: <a href="mailto:suppliernotification@flexsteel.com">suppliernotification@flexsteel.com</a> Attention:
Notice to Supplier:	[SUPPLIER ADDRESS] Facsimile: E-mail: Attention:

**Section 15.06 Assignment.** Supplier may not assign any of its rights or delegate any of its obligations under this Agreement without Flexsteel’s prior written consent.

**Section 15.07 Choice of Law.** This Agreement, including all Individual Transaction documents and exhibits, schedules, attachments and appendices attached to this Agreement and thereof, are governed by, and construed in accordance with, the Laws of the State of Iowa, United States of America, without regard to the conflict of laws provision thereof to the extent such principles or rules would require or permit the application of the Laws of any other jurisdiction other than those of the State of Iowa, and excluding the United Nations Convention on the International Sale of Goods of 1980 (and any amendments or successors thereto.)

**Section 15.08 Alternative Dispute Resolution.** In the event there is any controversy, claim, cause of action, dispute, or other matter (hereinafter “**Controversy**”) arising out of or relating in any way to this Contract, or the performance, breach, termination or invalidity thereof, the parties shall initially cooperate in good faith to resolve the Controversy by entering into negotiations by executives of the parties who do not have direct responsibility for administration of this Contract, and, with respect to such negotiations, the parties will explore whether techniques such as mediation, mini-trials, mock trials, or other techniques of alternative dispute resolution might be useful in resolving the Controversy. If the parties cannot agree mutually within thirty (30) days on a method of resolving the Controversy, the Controversy shall be submitted by one of the parties to non-binding mediation. If the mediation is not successful in resolving the Controversy, then each and every Controversy shall be resolved by binding arbitration in strict accordance with the CPR Institute for Dispute Resolution Rules for Non-Administered Arbitration of Business Disputes, by a sole arbitrator. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The official language of the arbitration shall be English and any arbitration shall be held in Dubuque, Iowa. The selection of the independent arbitrator shall be made by agreement of the parties. In the event that the parties cannot agree upon the selection of an independent arbitrator, the arbitrator shall be appointed pursuant to Rule 6 of the CPR Institute for Dispute Resolution Rules for Non-Administered Arbitration of Business Disputes. The arbitrator shall determine the rights and obligations of the parties according to applicable substantive laws and strictly in accordance with the express terms and limitations of this Contract. The arbitrator shall not be empowered to grant any damages in excess of those damages permitted or limited under the express terms of this Contract. The party prevailing on substantially all of its claims in arbitration shall be entitled to recover its costs, including attorneys’ fees, for the arbitration proceedings, as well as any ancillary proceedings, including a proceeding to compel or enjoin arbitration, to request interim measures and to confirm or set aside an award. Notwithstanding the foregoing, the parties may seek solely injunctive or equitable relief in a court of competent jurisdiction.

FOR CHINA, consider the following: In the event there is any controversy, claim, cause of action, dispute, or other matter (hereinafter “**Controversy**”) arising out of or relating in any way to this Contract, or the performance, breach, termination or invalidity thereof, the parties shall initially cooperate in good faith to resolve the Controversy by entering into negotiations by executives of the parties who do not have direct responsibility for administration of this Contract, and, with respect to such negotiations, the parties will explore whether techniques such as mediation, mini-trials, mock trials, or other techniques of alternative dispute resolution might be useful in resolving the Controversy. If the parties cannot agree mutually within thirty (30) days on a method of resolving the Controversy, the Controversy shall be submitted by one of the parties to non-binding mediation. If the mediation is not successful in resolving the Controversy, then each and every Controversy shall be resolved by binding arbitration in strict accordance with the China International Economic and Trade Arbitration Commission (CIETAC) according to its prevailing arbitration rules. The arbitration shall be conducted by one arbitrator in a location to be mutually agreed upon by the parties. The selection of the independent arbitrator shall be made by agreement of the parties. In the event that the parties cannot agree upon the selection of an independent arbitrator, the arbitrator shall be appointed pursuant to the arbitration rules of CIETAC. If the parties cannot mutually agree upon a location within ten (10) business days of the arbitration issued by one part to the other the Controversy will be arbitrated in Hong Kong. During the arbitration, the parties shall continue to exercise their remaining respective rights, and fulfill their remaining respective obligations under this Contract, except insofar as the same may relate directly to the Controversy. The arbitrator shall determine the rights and obligations of the parties according to applicable substantive laws and strictly in accordance with the express terms and limitations of this Contract. The arbitrator shall not be empowered to grant any damages in excess of those damages permitted or limited under the express terms of this Contract. The party prevailing on substantially all of its claims in arbitration shall be entitled to recover its costs, including attorneys’ fees, for the arbitration proceedings, as well as any ancillary proceedings, including a proceeding to compel or enjoin arbitration, to request interim measures and to confirm or set aside an award. Notwithstanding the foregoing, the parties may seek solely injunctive or equitable relief in a court of competent jurisdiction.

**Section 15.09 Waiver of Jury Trial.** Each Party acknowledges and agrees that any controversy that may arise under this Agreement, including any Individual Transactions or exhibits, schedules, attachments and appendices attached to this Agreement, is likely to involve complicated and difficult issues and, therefore, each such Party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement, including any Individual Transactions, exhibits, schedules, attachments or appendices attached to this Agreement, or the transactions contemplated hereby.

**Section 15.10 Counterparts.** This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

**Section 15.11 Force Majeure.** If performance of this Agreement or any obligation under this Agreement is prevented, restricted, or interfered with by causes beyond either party's reasonable control ("Force Majeure"), and if the party unable to carry out its obligations gives the other party prompt written notice of such event, then the obligations of the party invoking this provision shall be suspended to the extent necessary by such event. The term Force Majeure shall include, without limitation, acts of God, fire, explosion, vandalism, storm or other similar occurrence, orders or acts of military or civil authority, or by national emergencies, insurrections, riots, or wars.

**Section 15.12 Construction.** The Parties agree and confirm that this Agreement was prepared and drafted as a collaborative effort on the part of both Parties, and it shall not be construed, interpreted, or held against any one Party. The Parties further acknowledge and agree that each has been given the opportunity to independently review this Agreement with legal counsel, and/or has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. The Parties have equal bargaining power, and intend the plain meaning of the provisions in this Agreement. In the event of an ambiguity in or dispute regarding the interpretation of this Agreement, the interpretation of this Agreement shall not be resolved by any rule of interpretation providing for interpretation against either Party, as each Party prepared and drafted as a collaborative effort this Agreement.

**Section 15.13 Inspection and Audit.** For a period up to five (5) years after the later of expiration or termination of this Agreement and to the extent legally permissible and upon reasonable notice by Flexsteel, Supplier or its distributor will permit an independent third party auditor acceptable to the Parties access to any area of Supplier's facilities, distributors, personnel, computer systems and books and records relating to Supplier's performance under this Agreement to determine Supplier's compliance with this Agreement. In addition, with written notification from Flexsteel, Supplier will allow Flexsteel customers to audit Supplier's facilities and records. For both audits described above, Supplier will allow Flexsteel Quality Control employees on-site during the audits.

**Section 15.14 Headings.** Headings used in this Agreement are for reference purposes only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

**Section 15.15 Remedies Cumulative.** All rights and remedies provided by this Agreement or existing at law or in equity shall be cumulative of all other rights and remedies and shall not be exclusive of each other. The pursuit of one right or remedy shall in no way operate as an exclusive election or otherwise preclude or limit either Party from pursuing any other or additional rights or remedies.

**Section 15.16 Independent Contractor Relationship.** In the performance of this Agreement, the Parties are engaged in independent business, and this Agreement shall not be deemed to (a) make either Party a partner, joint venturer, agent or other representative of the other Party, or (b) grant either Party any right of

authority to assume or create any obligation in the name or on behalf of the other Party or to accept legal summons or legal process for the other Party.

**Section 15.17 Survival.** Sections 3.01, 10.01, 11.01, 11.02, 12.01, 12.02, and 13.01 shall survive any expiration or termination of this Agreement.

Flexsteel: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Supplier: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## SCHEDULE I

**Price.** The Price of the Goods is the price stated in the Purchase Order. Unless otherwise specified in the Purchase Order, the Price includes all [packaging,] [transportation costs to the Delivery Location,] [insurance,] [customs duties] [and] [fees and applicable taxes][, including, but not limited to, all sales, use or excise taxes]. No increase in the Price is effective, whether due to increased material, labor or transportation costs or otherwise, without the prior written consent of the Parties.

**Payment Terms.** Flexsteel shall pay amounts due under this agreement thirty (30) calendar days from the Bill of Lading date. If Flexsteel makes payment within fifteen (15) calendar days from the Bill of Lading date Flexsteel shall be entitled to deduct two percent (2%) from the amount of the invoice [, excluding shipping, handling and tax] ("**Early Payment Discount**"), and Supplier acknowledges that any such payment after deducting the Early Payment Discount constitutes payment in full of the invoiced amount.

**Delivery.** Supplier shall deliver the Goods in the quantities and on the date(s) specified in Flexsteel's Purchase Order or as otherwise agreed in writing by the parties (the "**Delivery Date**"). If no delivery date is specified, Supplier shall deliver the Goods within [NUMBER] days of Supplier's receipt of the Purchase Order.

**Time of the Essence.** Time of [delivery/payment/performance under [SECTION(S)/CLAUSE(S)]] is of the essence. [In addition to other remedies available at law, equity, or under this Agreement, in the event that [delivery/payment/performance] does not occur in accordance with the terms of this Agreement, [either Party/PARTY NAME] may terminate the Agreement immediately, without further liability or penalty.]

**Title to Goods and Risk of Loss.** Title to Goods ordered under [this Agreement/any Individual Transaction] passes to Flexsteel upon delivery of such Goods to the [LOCATION]. Risk of loss to all Goods passes to Flexsteel upon [Supplier's tender of such units to the carrier/Flexsteel's receipt of such units [in accordance with the terms of this Agreement]] at [LOCATION].

**Liquidated Damages.** Supplier acknowledges that the actual damages likely to result from Supplier's breach of contract are difficult to estimate on the date of this Agreement and would be difficult for Flexsteel to prove. The parties intend that Supplier's payment of [DOLLAR AMOUNT] (the "Liquidated Damages Amount") would serve to compensate Flexsteel for any breach by Supplier of its obligations under this Agreement, and does not serve as a penalty for any such breach by Supplier.

**Packaging.** All goods shall be packed for shipment according to Flexsteel's instructions or, if there are no instructions, in a manner sufficient to ensure that the Goods are delivered in undamaged condition. Supplier must provide Flexsteel prior written notice if it requires Flexsteel to return any packaging material. Any return of such packaging material shall be made at Supplier's expense.

### **Spare Parts.**

Upholstery-

- Upon 'activation' of a new style, Flexsteel requires all suppliers to provide spare parts at a minimum of 2% of the quantity ordered per sku at 'no charge'.



- Flexsteel reserves the right to request additional spare parts at 'no charge' in the event there is a quality issue resulting in greater than 2% demand.
- Spare parts must be available for shipment within 14 days of receipt of purchase order. Orders not available to ship within this period may be required to air freight spare parts at the supplier's expense.
- Supplier must notate all spare parts shipped on both the commercial invoice & packing list.
- Spare parts must have a value established for customs purpose only. The value should be in "( )" next to the item for our customs broker to declare.
- Spare parts value should not be included in the total invoice value on the commercial invoice.
- Spare parts should be packaged in accordance with Flexsteel's Barcode Label Guidelines.

Case Goods-

- Upon 'activation' of a new style, Flexsteel requires all suppliers to provide spare parts at a minimum of 2% of the quantity ordered per sku at 'no charge'.
- Flexsteel reserves the right to request additional spare parts at 'no charge' in the event there is a quality issue resulting in greater than 2% demand.
- Spare parts must be produced with the corresponding finished goods purchase order. Payment of the corresponding finished goods purchase order will not be made by Flexsteel until such time that the spare parts are completed and shipped in full.
- Supplier must notate all spare parts shipped on both the commercial invoice & packing list.
- Spare parts must have a value established for customs purpose only. The value should be in "( )" next to the item for our customs broker to declare.
- Spare parts value should not be included in the total invoice value on the commercial invoice.
- Spare parts should be packaged in accordance with Flexsteel's Barcode Label Guidelines.

**Scope of Work.**

Supplier shall perform the following work as more fully described on Flexsteel's Purchase Order, on a project by project basis.

*[insert general description of the work being performed under this agreement]*