
**UNITED 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 6, 2017**

FLEXSTEEL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

0-5151
(Commission
File Number)

42-0442319
(IRS Employer
Identification No.)

385 Bell St, Dubuque, Iowa
(Address of principal executive offices)

52001
(Zip Code)

Registrant's telephone number, including area code **563-556-7730**

(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 (see General Instruction A.2. below):

- 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))
-
-

Item 1.01 Entry into a Material Definitive Agreement

Between May 15 – June 6, 2017, Flexsteel Industries, Inc. (“Flexsteel”) entered into a series of interconnected agreements with various government entities and an Iowa not-for-profit organization regarding real estate property transactions in Dubuque, Iowa.

As set forth below, the brief descriptions of the two significant agreements do not purport to be complete and are qualified in their entirety by reference to the full text of the agreements, which are filed as Exhibit 10.1 and Exhibit 10.2 attached hereto.

The agreements were contingent upon each being approved by The City of Dubuque (“City”), Dubuque County (“County”), Iowa Economic Development Authority (“IEDA”) and Dubuque Initiatives (“Initiatives”), a not-for-profit organization, prior to being signed.

Development Agreement – Dubuque Development South, Dubuque, Iowa

On June 5, 2017, the City completed final approval of the Development Agreement. Flexsteel will construct a 250,000 square foot manufacturing facility at approximate cost of \$25 million. Flexsteel has agreed to maintain 200 full-time employees and will receive tax incremental finance with an estimated value of \$4.1 million over 10 years. Construction is to begin Fall 2017 and is expected to take approximately 1 year to complete.

Redevelopment Agreement – Dubuque Operations

On June 5, 2017, the City approved the final agreements required for the Redevelopment Agreement between Flexsteel, the City and Initiatives. Under the terms of the Agreement Flexsteel will donate approximately 43 acres of land and buildings with nominal net book value in Dubuque, Iowa to Initiatives and will contribute \$2,660,000 toward demolition and above ground remediation following acceptance of the donation by Initiatives. The City and County will contribute \$2,660,000 toward demolition and remediation. Flexsteel will be responsible for all subsurface remediation to prepare the ground for light industrial use, the cost of which is indeterminable at this time. Initiatives will pursue additional grants and funding for the redevelopment project.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable
- (b) Not applicable
- (c) Not applicable
- (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 10.1	Development Agreement, dated as of June 5, 2017, among The City of Dubuque, Iowa and Flexsteel Industries, Inc.
Exhibit 10.2	Redevelopment Project Agreement, dated as of May 15, 2017, among The City of Dubuque, Iowa, Dubuque Initiatives and Flexsteel Industries, Inc.

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.

FLEXSTEEL INDUSTRIES, INC.
(Registrant)

Date: June 12, 2017

By: /s/ Timothy E. Hall
Timothy E. Hall
Senior Vice President-Finance, CFO, and Secretary
Principal Financial and Accounting Officer

**DEVELOPMENT AGREEMENT
BETWEEN
THE CITY OF DUBUQUE, IOWA
AND
FLEXSTEEL INDUSTRIES, INC.**

THIS DEVELOPMENT AGREEMENT (this Agreement), dated for reference purposes the 5th day of June, 2017, between the City of Dubuque, Iowa, a municipality (City), established pursuant to the Iowa Code and acting under authorization of Iowa Code Chapter 403, as amended (Urban Renewal Act), and Flexsteel Industries, Inc., an Iowa corporation, with its principal place of business in Dubuque, Iowa (Developer).

WITNESSETH:

WHEREAS, in furtherance of the objectives of the Urban Renewal Act, City has undertaken an Urban Renewal project (the Project) to advance the community's ongoing economic development efforts; and

WHEREAS, the Project is located within the Dubuque Industrial Center Economic Development District (the Project Area); and

WHEREAS, as of the date of this Agreement there has been prepared and approved by City an Urban Renewal Plan for the Project Area consisting of the Urban Renewal Plan for the Dubuque Industrial Center Economic Development District, approved by the City Council of City on May 2, 1988, and as subsequently amended through and including the date hereof (the Urban Renewal Plan) attached hereto as Exhibit A; and

WHEREAS, a copy of the Urban Renewal Plan, as constituted on the date of this Agreement, has been recorded among the land records in the office of the Recorder of Dubuque County, Iowa and is on file with the City of Dubuque City Clerk; and

WHEREAS, Developer has determined that it requires a new industrial facility to maintain its operations and employment in the Project Area (the Facility); and

WHEREAS, Developer will have acquired title as of the Closing herein to 26.79 acres of which 22.00 are usable, legally described as follows (the Property):

Lot 4 of Dubuque Industrial Center South First Addition in the City of Dubuque, Iowa

with all easements, tenements, hereditaments, and appurtenances belonging thereto, as shown as Exhibit B, so that Developer may develop the Property, located in the Project Area, for the construction, use, and occupancy of an industrial building in accordance with the uses specified in the Urban Renewal Plan and Developer agrees to

comply with any amendments to the Urban Renewal Plan, in accordance with this Agreement; and

WHEREAS, City, believes that the development of the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of City and in accord with the public purposes and provisions of the applicable federal, state and local laws and the requirements under which the Project has been undertaken and is being assisted.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

SECTION 1. CLOSING.

1.1 Representations and Warranties of City.

- (1) City has duly obtained all necessary approvals and consents for its execution, delivery and performance of this Agreement, and it has full power and authority to execute, deliver and perform its obligations under this Agreement. City's attorney shall issue a legal opinion to Developer at time of Closing confirming the representation contained herein, in the form attached hereto as Exhibit C.
- (2) City shall exercise its best efforts to resolve any disputes arising during the development process in a reasonable and prompt fashion.
- (3) The Property is presently zoned to accommodate Developer's intended improvements and the manufacturing of upholstered furniture and steel products.

The representations and warranties contained in this Section shall be correct in all respects on and as of the Closing with the same force and effect as if such representations and warranties had been made on and as of the Closing Date.

1.2 Conditions to Closing. The closing of the transaction contemplated by this Agreement and all the obligations of Developer under this Agreement are subject to fulfillment, on or before the Closing Date, of the following conditions:

- (1) The representations and warranties made by City in Section 1.4 shall be correct as of the Closing Date with the same force and effect as if such representations were made at such time. At the Closing, City shall deliver a certificate in the form of Exhibit F.
 - (2) Developer will have acquired title to the Property;
-

(3) Developer and City shall be in material compliance with all the terms and provisions of this Agreement.

(4) Developer shall have furnished City with evidence, in a form satisfactory to City (such as audited financial statements in a Form 10-Q), that Developer has firm financial commitments in an amount sufficient, together with equity commitments, to complete the Minimum Improvements (as defined herein) in conformance with the Construction Plans (as defined herein), or City shall have received such other evidence of such party's financial ability as in the reasonable judgment of City is required.

(5) Receipt of an opinion of counsel to Developer in the form attached hereto as Exhibit D.

(6) Developer shall have the right to terminate this Agreement at any time prior to the consummation of the closing on the Closing Date if Developer determines in its sole discretion that conditions necessary for the successful completion of the Project contemplated herein have not been satisfied to the full satisfaction of such party in such party's sole and unfettered discretion. Upon the giving of notice of termination by such terminating party to the other parties to this Agreement, this Agreement shall be deemed null and void.

1.3 Closing. The closing (the Closing) shall take place on the Closing Date. The Closing Date is August 1, 2017 at 10:00 o'clock a.m., at the City Attorney's office, or such other date as the parties agree in writing. Consummation of the Closing shall be deemed an agreement of the parties to this Agreement that the conditions of closing have been satisfied or waived.

1.4 City's Obligations at Closing. At or prior to Closing Date, City shall Deliver to Developer such other documents as may be required by this Agreement, all in a form satisfactory to Developer.

SECTION 2. DEVELOPMENT ACTIVITIES.

2.1 Required Minimum Improvements. City acknowledges that the Facility Developer is building is an industrial facility. Specifically, Developer agrees to construct the building and certain internal systems thereto, and with finishing the building including, without limitation, all interior improvements (the Minimum Improvements); all as more particularly depicted and described on the plans and specifications to be delivered to and approved by City as contemplated in this Agreement. Developer hereby agrees the Facility will be not less than two hundred fifty thousand (250,000) square feet of floor space along with the necessary site work, machinery and equipment at an estimated cost of approximately \$25,000,000.

2.2 Plans for Construction of Minimum Improvements. Plans and specifications with respect to the development of the Property and the construction of the Minimum

Improvements thereon (the Construction Plans) shall be in conformity with the Urban Renewal Plan, this Agreement, and all applicable state and local laws and regulations, including but not limited to the Amended and Restated Declaration of Covenants, Conditions, Restrictions, Reservations, Easements, Liens and Charges, recorded as Instrument No. 2014-00001147, records of Dubuque County, Iowa. Developer shall submit to City, for approval by City, plans, drawings, specifications, and related documents with respect to the improvements to be constructed by Developer on the Property. All work with respect to the Minimum Improvements shall be in substantial conformity with the Construction Plans approved by City.

2.3 Timing of Improvements.

(1) Developer hereby agrees that construction of the Minimum Improvements shall be commenced on or before August 1, 2017, and shall be substantially completed by September 30, 2018. The time frames for the performance of these obligations shall be suspended due to unavoidable delays, meaning delays outside the control of the party claiming its occurrence in good faith, which are the direct result of strikes, other labor troubles, unusual shortages of materials or labor, unusually severe or prolonged bad weather, acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion directly results in delays, or acts of any federal, state or local government which directly result in extraordinary delays. The time for performance of such obligations shall be extended only for the period of such delay.

2.4 Certificate of Completion. Promptly following the request of Developer upon completion of the Minimum Improvements the City Manager shall furnish Developer with an appropriate instrument so certifying. Such certification (the Certificate of Completion) shall be in recordable form and shall be a conclusive determination of the satisfaction and termination of the agreements and covenants in this Agreement and in the Deed with respect to the obligations of Developer to construct the Minimum Improvements. The Certificate of Completion, in the form attached hereto as Exhibit G, shall waive all rights of re-vestment of title to the Property as provided in Section 7.3(1).

SECTION 3. CITY PARTICIPATION.

3.1 Economic Development Grants.

(1) For and in consideration of Developer's obligations hereunder, and in furtherance of the goals and objectives of the Urban Renewal Plan for the Project Area and the Urban Renewal Law, City agrees, subject to Developer being and remaining in compliance with the terms of this Agreement, to make twenty (20) consecutive semi-annual payments (such payments being referred to collectively as the Economic Development Grants) to Developer, as follows:

November 1, 2020	May 1, 2021
November 1, 2021	May 1, 2022
November 1, 2022	May 1, 2023
November 1, 2023	May 1, 2024
November 1, 2024	May 1, 2025
November 1, 2025	May 1, 2026
November 1, 2026	May 1, 2027
November 1, 2027	May 1, 2028
November 1, 2028	May 1, 2029
November 1, 2029	May 1, 2030

pursuant to Iowa Code Section 403.9 of the Urban Renewal Law, in amounts equal to the actual amount of tax increment revenues collected by City under Iowa Code Section 403.19 (without regard to any averaging that may otherwise be utilized under Iowa Code Section 403.19 and excluding any interest that may accrue thereon prior to payment to Developer) during the preceding six-month period in respect of the Property and Minimum Improvements constructed by Developer thereon (the collected tax increment revenue being referred to herein as the Developer Tax Increments). Developer recognizes and agrees that the Economic Development Grants shall be paid solely and only from the incremental taxes collected by City in respect of the Property and Minimum Improvements, which does not include property taxes collected for the payment of bonds and interest of each taxing district, and taxes for the regular and voter-approved physical plant and equipment levy, instructional support levy, and any other portion required to be excluded by Iowa law, and thus such incremental taxes will not include all amounts paid by Developer as regular property taxes.

(2) To fund the Economic Development Grants, City shall certify to the County prior to December 1 of each year, commencing December 1, 2019, its request for the available Developer Tax Increments, resulting from the assessments imposed by the County as of January 1 of that year, to be collected by City as taxes are paid during the following fiscal year and which shall thereafter be disbursed to Developer on November 1 and May 1 of that fiscal year. (Example: If City so certifies by December 1, 2019, the Economic Development Grants in respect thereof would be paid to Developer on November 1, 2020, and May 1, 2021.)

(3) The Economic Development Grants shall be payable from and secured solely and only by the Developer Tax Increments paid to City that, upon receipt, shall be deposited and held in a special account created for such purpose and designated as the Flexsteel TIF Account of City. City hereby covenants and agrees to maintain its TIF ordinance in force during the Term and to apply the incremental taxes collected in respect of the Property and Minimum Improvements and allocated to the Flexsteel TIF Account to pay the Economic Development Grants, as and to the extent set forth in Section 3.1(1) hereof. The Economic Development Grants shall not be payable in any manner by other tax

increments revenues or by general taxation or from any other City funds. City makes no representation with respect to the amounts that may be paid to Developer as the Economic Development Grants in any one year and under no circumstances shall City in any manner be liable to Developer so long as City timely applies the Developer Tax Increments actually collected and held in the Flexsteel TIF Account (regardless of the amounts thereof) to the payment of the Economic Development Grants to Developer as and to the extent described in this Section.

(4) City shall be free to use any and all tax increment revenues collected in respect of other properties within the Project Area, or any available Developer Tax Increments resulting from the termination or reduction of the annual Economic Development Grants under this Section 3.1 hereof, for any purpose for which such tax increment revenues may lawfully be used pursuant to the provisions of the Urban Renewal Law, and City shall have no obligations to Developer with respect to the use thereof.

(5) All of City's obligations under this Agreement, including but not limited to City's obligation to pay the Economic Development Grants to Developer, shall be subject to City having completed all hearings and other procedures required to amend the Urban Renewal Plan to describe the Urban Renewal Project being undertaken in accordance with this Agreement.

3.2 Site Preparation. City reserves the right to approve the design and specifications for any site preparation work. City shall not remove any dirt from the Property prior to Closing, to the end that Developer may utilize dirt presently stored on the Property in Developer's grading of the Property.

SECTION 4. [Intentionally deleted]

SECTION 5. NON- APPROPRIATION / LIMITED SOURCE OF FUNDING.

5.1 Non-Appropriation. Notwithstanding anything in this Agreement to the contrary, the obligation of City to pay any installment of the Economic Development Grants from the pledged tax increment revenues shall be an obligation limited to currently budgeted funds, and not a general obligation or other indebtedness of City or a pledge of its full faith and credit within the meaning of any constitutional or statutory debt limitation, and shall be subject in all respects to the right of non-appropriation by the City Council of City as provided in this Section. City may exercise its right of non-appropriation as to the amount of the installments to be paid during any fiscal year during the Term of this Agreement without causing a termination of this Agreement. The right of non-appropriation shall be exercised only by resolution affirmatively declaring City's election to non-appropriate funds otherwise required to be paid in the next fiscal year under this Agreement.

In the event the City Council of City elects to not appropriate sufficient funds in the budget for any future fiscal year for the payment in full of the installments on the Economic Development Grants due and payable in that future fiscal year, then City shall have no further obligation to Developer for the payment of any installments due in that future fiscal year which cannot be paid with the funds then appropriated for that purpose.

5.2 The right of non-appropriation reserved to City in this Section is intended by the parties, and shall be construed at all times, so as to ensure that City's obligation to pay future installments on the Economic Development Grants shall not constitute a legal indebtedness of City within the meaning of any applicable constitutional or statutory debt limitation prior to the adoption of a budget which appropriates funds for the payment of that installment or amount. In the event that any of the provisions of this Agreement are determined by a court of competent jurisdiction to create, or result in the creation of, such a legal indebtedness of City, the enforcement of the said provision shall be suspended, and the Agreement shall at all times be construed and applied in such a manner as will preserve the foregoing intent of the parties, and no event of default shall be deemed to have occurred as a result thereof. If any provision of this Agreement or the application thereof to any circumstance is so suspended, the suspension shall not affect other provisions of this Agreement which can be given effect without the suspended provision, and to this end the provisions of this Agreement are severable.

SECTION 6. COVENANTS OF DEVELOPER.

6.1 Job Retention. During the Term of this Agreement, Developer shall comply with the following employment-related covenants:

Developer represents that the number of fulltime equivalent (FTE) employees employed by Developer in Dubuque, Iowa, on the Closing Date is 218. Developer shall maintain during the Term of this Agreement at the Dubuque Industrial Center South facility 200 FTE employees. FTE employees shall be calculated by adding fulltime and part-time employees together using 2080 hours per year as a FTE employee. For the positions that Developer fails to maintain for any year during the Term of this Agreement, the semi-annual Economic Development Grants for such year under Section 3.2 shall be reduced by the percentage that the number of such positions bears to the total number of positions required to be maintained by this Section 6.1. (For example, if the certification shows 184 FTE during any year of the Term, the semi-annual Economic Development Grants would be 92.0% (184/200) of the Developer Tax Increments received by City which would be paid by City to Developer). The reduction of the semi-annual Economic Development Grants shall be the City's sole remedy for the failure of Developer to meet the job creation requirements of this subsection 6.1.

6.2 Certification. To assist City in monitoring the performance of Developer hereunder, on the Closing Date and again as of January 1 each year thereafter during the Term of this Agreement, a duly authorized officer of Developer shall certify to City in

a form acceptable to City (a) the number of FTE positions employed by Developer at the Dubuque Industrial Center South facility, and (b) to the effect that such officer has re-examined the terms and provisions of this Agreement and that at the date of such certificate, and during the preceding twelve (12) months, Developer is not or was not in default in the fulfillment of any of the terms and conditions of this Agreement and that no Event of Default (or event which, with the lapse of time or the giving of notice, or both, would become an Event of Default) is occurring or has occurred as of the date of such certificate or during such period, or if the signer is aware of any such default, event or Event of Default, said officer shall disclose in such statement the nature thereof, its period of existence and what action, if any, has been taken or is proposed to be taken with respect thereto. Such certificate shall be provided by March 1 of each year thereafter during the Term of this Agreement.

6.3 Books and Records. During the Term of this Agreement, Developer shall keep at all times proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to the business and affairs of Developer in accordance with generally accepted accounting principles consistently applied throughout the period involved, and Developer shall provide reasonable protection against loss or damage to such books of record and account.

6.4 Real Property Taxes. From and after the Closing Date, Developer shall pay or cause to be paid, when due and before delinquency, all real property taxes and assessments payable with respect to all and any parts of the Property unless Developer's obligations have been assumed by another person pursuant to the provisions of this Agreement.

6.5 No Other Exemptions. During the Term of this Agreement, Developer agrees not to apply for any state or local property tax exemptions which are available with respect to the Property or the Minimum Improvements located thereon that may now be, or hereafter become, available under state law or city ordinance during the Term of this Agreement, including those that arise under Iowa Code Chapters 404 and 427, as amended.

6.6 Insurance Requirements.

(1) Developer shall provide and maintain or cause to be maintained at all times during the process of constructing the Minimum Improvements (and, from time to time at the request of City, furnish City with proof of insurance in the form of a certificate of insurance for each insurance policy):

All risk builder's risk insurance, written on a Completed Value Form in an amount equal to one hundred percent (100%) of the replacement value when construction is completed.

(2) Upon completion of construction of the Minimum Improvements and up to the Termination Date, Developer shall maintain, or cause to be maintained, at its

cost and expense (and from time to time at the request of City shall furnish proof of insurance in the form of a certificate of insurance) all risk property insurance against loss and/or damage to the Minimum Improvements under an insurance policy written in an amount not less than the full insurable replacement value of Minimum Improvements. The term "replacement value" shall mean the actual replacement cost of Minimum Improvements (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items) and equipment, and shall be reasonably determined from time to time at the request of City, but not more frequently than once every three (3) years.

(3) Developer agrees to notify City immediately in the case of damage exceeding \$200,000.00 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. The net proceeds of any such insurance (the Net Proceeds) shall be paid directly to Developer as its interests may appear, and Developer shall forthwith repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as they existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction and restoration, Developer shall apply the Net Proceeds of any insurance relating to such damage received by Developer to the payment or reimbursement of the costs thereof, subject, however, to the terms of any mortgage encumbering title to the Property (as its interests may appear). Developer shall complete the repair, reconstruction and restoration of Minimum Improvements whether or not the Net Proceeds of insurance received by Developer for such Purposes are sufficient.

6.7 Preservation of Property. During the Term of this Agreement, Developer shall maintain, preserve and keep, or cause others to maintain, preserve and keep, Minimum Improvements in good repair and working order, ordinary wear and tear excepted, and from time to time shall make all necessary repairs, replacements, renewals and additions. Nothing in this Agreement, however, shall be deemed to alter any agreements between Developer or any other party including, without limitation, any agreements between the parties regarding the care and maintenance of the Property.

6.8 Non-Discrimination. In carrying out the project, Developer shall not discriminate against any employee or applicant for employment because of race, religion, color, sex, sexual orientation, gender identity, national origin, age or disability.

6.9 Conflict of Interest. Developer agrees that no member, officer or employee of City, or its designees or agents, nor any consultant or member of the governing body of City, and no other public official of City who exercises or has exercised any functions or responsibilities with respect to the project during his or her tenure, or who is in a position to participate in a decision-making process or gain insider information with regard to the project, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the

project, or in any activity, or benefit therefrom, which is part of this project at any time during or after such person's tenure. In connection with this obligation, Developer shall have the right to rely upon the representations of any party with whom it does business and shall not be obligated to perform any further examination into such party's background.

6.10 Transferability. During the Term of this Agreement, this Agreement may not be assigned and the Property and any portion of the Property may not be sold or otherwise transferred by Developer without the prior written consent of City in City's sole discretion. City has no obligation to consent to any assignment or sale.

6.11 Restrictions on Use. Developer agrees for itself, and its successors and assigns, and every successor in interest to the Property or any part thereof that they, and their respective successors and assigns, shall:

(1) Devote the Property to, and only to and in accordance with, the uses specified in the Urban Renewal Plan (and City represents and agrees that use of the Property as an industrial facility is in full compliance with the Urban Renewal Plan and Developer agrees to comply with any amendments to the Urban Renewal Plan,) (however, Developer shall not have any liability to City to the extent that a successor in interest shall breach this covenant and City shall seek enforcement of this covenant directly against the party in breach of same); and

(2) Not discriminate upon the basis of race, religion, color, sex, sexual orientation, gender identity, national origin, age or disability in the sale, lease, rental, use or occupancy of the Property or any improvements erected or to be erected thereon, or any part thereof (however, Developer shall not have any liability to City to the extent that a successor in interest shall breach this covenant and City shall seek enforcement of this covenant directly against the party in breach of same).

6.12 Release and Indemnification Covenants.

(1) Developer releases City and the governing body members, officers, agents, servants and employees thereof (hereinafter, for purposes of this Section, the Indemnified Parties) from and covenants and agrees that the Indemnified Parties shall not be liable for, and agrees to indemnify, defend and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

(2) Except for any gross negligence, willful misrepresentation or any willful or wanton misconduct or any unlawful act of the Indemnified Parties, Developer agrees to protect and defend the Indemnified Parties, now or forever, and further agrees to hold the Indemnified Parties harmless, from any claim, demand, suit, action or other proceedings whatsoever by any person or entity whatsoever

arising or purportedly arising from (1) any violation of any agreement or condition of this Agreement (except with respect to any suit, action, demand or other proceeding brought by Developer against City based on an alleged breach of any representation, warranty or covenant of City under this Agreement and/or to enforce its rights under this Agreement); or (2) the acquisition, construction, installation, ownership, and operation of the Minimum Improvements or (3) the condition of the Property and any hazardous substance or environmental contamination located in or on the Property, caused and occurring after Developer takes possession of the Property.

(3) The Indemnified Parties shall not be liable to Developer for any damage or injury to the persons or property of Developer or its officers, agents, servants or employees or any other person who may be on, in or about the Minimum Improvements due to any act of negligence of any person, other than any act of negligence on the part of any such Indemnified Party or its officers, agents, servants or employees.

(4) All covenants, stipulations, promises, agreements and obligations of City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of City, and not of any governing body member, officer, agent, servant or employee of City in their individual capacity thereof.

(5) The provisions of this Section shall survive the termination of this Agreement.

6.13 Compliance with Laws. Developer shall comply with all laws, rules and regulations relating to its businesses, other than laws, rules and regulations for which the failure to comply with or the sanctions and penalties resulting therefrom, would not have a material adverse effect on the business, property, operations, financial or otherwise, of Developer.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES.

7.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(1) Failure by Developer to pay or cause to be paid, before delinquency, all real property taxes assessed with respect to the Minimum Improvements and the Property.

(2) Failure by Developer to cause the construction of the Minimum Improvements to be commenced and completed pursuant to the terms, conditions and limitations of this Agreement.

(3) Transfer of any interest by Developer in any portion of the Property or the Minimum Improvements in violation of the provisions of this Agreement.

(4) Failure by Developer to substantially observe or perform any other material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

7.2 Remedies on Default by Developer. Whenever any Event of Default referred to in Section 7.1 of this Agreement occurs and is continuing, City, as specified below, may take any one or more of the following actions after the giving of written notice by City to Developer of the Event of Default, but only if the Event of Default has not been cured within sixty (60) days following such notice, or if the Event of Default cannot be cured within sixty (60) days and the Developer does not provide assurances to City that the Event of Default will be cured as soon as reasonably possible thereafter:

(1) City may suspend its performance under this Agreement until it receives assurances from the Developer, deemed adequate by City, that the Developer will cure its default and continue its performance under this Agreement;

(2) Until the Closing Date, City may cancel and rescind this Agreement;

(3) City may withhold the Certificate of Completion; or

(4) City may take any action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

7.3 Revesting of Title.

(1) Re-vesting Title in City Upon Happening of Event Subsequent to Conveyance to Developer and Prior to Issuance of Certificate of Completion. In the event that, subsequent to Closing and prior to receipt by Developer of the Certificate of Completion, an Event of Default under Section 7.1 (1) through (4) of this Agreement occurs and is not cured within the times specified in Section 7.2, then City shall have the right to re-enter and take possession of Property and any portion of the Minimum Improvements thereon and to terminate Developer's estate, it being the intent of this provision, together with other provisions of this Agreement, that the conveyance of Property to Developer was made upon the condition that, in the event of default under Section 7.1 (1) through (4) on the part of Developer and failure on the part of Developer to cure such default within the period and in the manner stated herein, City may declare a termination of this Agreement in favor of City of the title and of all Developer's rights and interests in and to the Property, and that such title and all rights and interests of Developer, and any assigns or successors in interests of Developer, and any assigns or successors in interest to and in Property, shall revert to City (subject to the

provisions of Section 7.3 of this Agreement), but only if the events stated in Section 7.1 of this Agreement have not been cured within the time period provided above, or, if the events cannot be cured within such time periods, Developer does not provide assurance to City, reasonably satisfactory to City, that the events will be cured as soon as reasonably possible.

7.4 Resale of Reacquired Property; Disposition of Proceeds. Upon the re-vesting in City of title to the Property as provided in Section 7.3 of this Agreement, City shall, pursuant to its responsibility under law, use its best efforts to resell the Property or part thereof as soon and in such manner as City shall find feasible and consistent with the objectives of such law and of the Urban Renewal Plan to a qualified and responsible party or parties (as determined by City in its sole discretion) who will assume the obligation of making or completing Minimum Improvements or such other improvements in their stead as shall be satisfactory to City and in accordance with the uses specified for the Property or part thereof in the Urban Renewal Plan. The proceeds thereof shall be applied:

(1) First to reimburse City and County for all allocable costs and expenses incurred by City and County, including but not limited to salaries of personnel, in connection with the recapture, management and resale of the Property or part thereof (but less any income derived by City from the Property or part thereof in connection with such management); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Property or part thereof at the time of re-vesting of title thereto in City or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, default or acts of Developer, its successors or transferees any expenditures made or obligations incurred with respect to the making or completion of the Minimum Improvements or any part thereof on the Property or part thereof, and any amounts otherwise owing to City (including water and sewer charges) by Developer and its successors or transferees; and

(2) Second, to reimburse Dubuque County, Iowa up to the amount equal to the sum of the Purchase Price paid by Developer to Dubuque County for the Property less any funds recovered by Dubuque County under the terms of the Redevelopment Project Agreement dated 5/15/17 by and among the City of Dubuque, Iowa, Dubuque Initiatives, and Flexsteel Industries, Inc.; and

(3) Third, to reimburse Developer up to an amount equal to the cash actually invested by Developer in making any of the Minimum Improvements on the Property.; and

(4) The balance, if any, to City.

7.5 No Remedy Exclusive. No remedy herein conferred upon or reserved to City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given

under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

7.6 No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

7.7 Agreement to Pay Attorneys' Fees and Expenses. If any action at law or in equity, including an action for declaratory relief or arbitration, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs of litigation from the other party. Such fees and costs of litigation may be set by the court in the trial of such action or by the arbitrator, as the case may be, or may be enforced in a separate action brought for that purpose. Such fees and costs of litigation shall be in addition to any other relief that may be awarded.

7.8 Remedies on Default by City. If City defaults in the performance of this Agreement, Developer may take any action, including legal, equitable or administrative action that may appear necessary or desirable to collect any payments due under this Agreement, to recover expenses of Developer, or to enforce performance and observance of any obligation, agreement, or covenant of City under this Agreement. Developer may suspend performance under this Agreement until it receives assurances from City, deemed adequate by Developer, that City will cure its default and continue its performance under this Agreement.

SECTION 8. GENERAL TERMS AND PROVISIONS.

8.1 Notices and Demands. Whenever this Agreement requires or permits any notice or written request by one party to another, it shall be deemed to have been properly given if and when delivered in person or three (3) business days after having been deposited in any U.S. Postal Service and sent by registered or certified mail, postage prepaid, addressed as follows:

- (1) If to Developer:
Flexsteel Industries, Inc.
Attn: CFO and Secretary
385 Bell Street
Dubuque, Iowa 52001
Phone: (563) 556-7730

With copy to:

Flexsteel Industries, Inc.

In-House Corporate Counsel
385 Bell Street
Dubuque, IA 52001
Phone: (563) 556-7730

(2) If to City:

City Manager
50 W. 13th Street
Dubuque, Iowa 52001
Phone: (563) 589-4110
Fax: (563) 589-4149

With copy to:

City Attorney
City Hall
50 W. 13th Street
Dubuque, Iowa 52001

or at such other address with respect to any party as that party may, from time to time designate in writing and forward to the other as provided in this Section.

8.2 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of City and Developer and their respective successors and assigns.

8.3 The Parties agree that Dubuque County, Iowa is an intended Third Party Beneficiary under Section 7.4.

8.4 Term; Termination Date. The Term of this Agreement and the rights and obligations of the parties hereunder shall commence upon execution by both parties and shall terminate at midnight on May 1, 2030 (the Termination Date).

8.5 Execution By Facsimile. The parties agree that this Agreement may be transmitted among them by facsimile machine or electronic transmission. The parties intend that the faxed or electronic transmission signatures constitute original signatures and that a faxed or electronically transmitted Agreement containing the signatures (original or faxed) of all the parties is binding on the parties.

8.6 Memorandum of Development Agreement. City shall promptly record a Memorandum of Development Agreement in the form attached hereto as Exhibit E in the office of the Recorder of Dubuque County, Iowa. Developer shall pay the costs for so recording.

8.7 Subject to Other Transactions. The closing of the transaction contemplated by this Agreement is subject to the closing of all of the following transactions on or before

the Closing Date and in the event any of such transactions does not so close, then this Agreement shall be null and void:

- (1) That certain Offer to Buy and Acceptance dated the 5th day of June, 2017, between the City of Dubuque and Dubuque County, Iowa relating to Lot 4 of Dubuque Industrial Center South First Addition in the City of Dubuque, Iowa;
- (2) That certain Offer to Buy and Acceptance dated the 30th day of May, 2017, between Dubuque County, Iowa and Blue Steel 1031 LLC thereof relating to Lot 4 of Dubuque Industrial Center South First Addition in the City of Dubuque, Iowa;
- (3) That certain Redevelopment Agreement dated the 15th day of May, 2017, between and among the City of Dubuque, Dubuque Initiatives, and Flexsteel Industries, Inc.

IN WITNESS WHEREOF, City has caused this Agreement to be duly executed in its name and behalf by its Mayor and attested to by its City Clerk and Developer has caused this Agreement to be duly executed.

CITY OF DUBUQUE, IOWA

FLEXSTEEL INDUSTRIES, INC.

By: /S/ Roy D. Buol
Roy D. Buol, Mayor

By: /S/ Timothy E. Hall
Timothy E. Hall, SVP Finance,
CFO and Secretary

By: /S/ Kevin S. Firnstahl
Kevin S. Firnstahl
City Clerk

LIST OF EXHIBITS

- Exhibit A Urban Renewal Plan
 - Exhibit B Plat
 - Exhibit C City Attorney Certificate
 - Exhibit D Opinion of Counsel to Developer
 - Exhibit E Memorandum of Development Agreement
 - Exhibit F City Certificate
 - Exhibit G Certificate of Completion
-

**REDEVELOPMENT PROJECT AGREEMENT
BY AND AMONG
THE CITY OF DUBUQUE, IOWA,
DUBUQUE INITIATIVES,
AND
FLEXSTEEL INDUSTRIES, INC.**

THIS REDEVELOPMENT PROJECT AGREEMENT ("this Agreement"), dated for reference purposes the 15th day of May, _____, 2017, by and among the City of Dubuque, Iowa, a municipality (City), established pursuant to the Iowa Code and acting under authorization of Iowa Code Chapter 403, as amended (Urban Renewal Act), Dubuque Initiatives, an Iowa not for profit corporation (Initiatives), and Flexsteel Industries, Inc., a Minnesota corporation, with its principal place of business in Dubuque, Iowa (Flexsteel).

WITNESSETH:

WHEREAS, the parties desire to formalize their understanding regarding the redevelopment of a certain tract of land located in the City and County of Dubuque;

WHEREAS, the tract of land is more particularly described as follows (hereinafter "the Property"): Tax Parcel Numbers:

- 1011426003 (30.00 acres);
- 1011426004 (8.36 acres);
- 1013101001 (0.26 acres);
- 1011427004 (0.83 acres); and
- 1014230001 (3.73 acres) excluding a parcel of real estate at the Southwest corner of Flexsteel's parking lot located at the Northeast corner of 32nd and Jackson Streets, Dubuque, Iowa, consisting of approximately 35,680 square feet and having a street address of 3250 Jackson Street (American Trust branch).

(Complete legal description to be provided pursuant to abstract of title)

WHEREAS, Property was most recently used as an industrial facility by Flexsteel who has entered into a Development Agreement to build a new industrial facility and retain employment in the City and County of Dubuque;

WHEREAS, Flexsteel desires to donate the Property to Initiatives, a not for profit community development organization;

WHEREAS, the parties believe that the redevelopment and utilization of the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the citizens of the City and County of Dubuque and in accord with the public purposes and provisions of the applicable federal, state and local laws and the requirements under which this Agreement is undertaken and is being

assisted;

WHEREAS, the parties have determined that this Agreement will remove a potential source of brownfield and blight concerns on the community's north-side and be transformational in scope by providing for the expansion of desirable uses both within the urban core of the community and into the surrounding county;

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

SECTION 1. POSSESSION OF THE PROPERTY.

1.1 Flexsteel shall promptly provide Initiatives with a copy of all environmental consulting or engineering reports, separate laboratory analysis reports, and other material information and data received by Flexsteel regarding the environmental condition of the Property, or which are otherwise received or generated pursuant to this Agreement.

1.2 It is agreed that Flexsteel will donate the Property to Initiatives. It is agreed that upon completion of all appropriate inquiry and a mutually agreed upon Property transition plan, and upon vacation of the Property by Flexsteel, Initiatives will accept title to and possession of the Property and will be the owner of the Property. In no event, shall the period of time between Flexsteel's total vacation from the Property and acceptance of title and possession of the Property by Initiatives exceed forty-five (45) days. Provided, however, the transfer shall not occur earlier than six (6) months from the date hereof to allow Initiatives to review the environmental aspects of the property and obtain bids or proposals for the work required to be completed hereunder. Nothing in this Agreement creates any ownership right or responsibility for the other parties, nor do such parties accept any ownership right or responsibility. Initiatives shall control the daily management and decisions regarding the redevelopment of the Property, but the final sale or disposition of all or any portion of the Property shall require consent of all parties.

1.3 Upon receipt of written notice from Initiatives accepting the donation, Flexsteel, at its expense, shall promptly obtain an abstract of title to the Property continued through the date of notice of acceptance which shall show merchantable title held by Flexsteel in conformity with Iowa law and Title Standards of the Iowa State Bar Association. Flexsteel shall make every reasonable effort to promptly perfect title. If closing is delayed due to Flexsteel's inability to provide marketable title, this Agreement shall continue in force and effect until either party rescinds this Agreement after giving ten (10) days written notice to the other party. At the closing, the abstract shall become the property of Initiatives. Flexsteel shall pay the costs of any additional abstracting and title work due to any act or omission of Flexsteel, including transfers by Flexsteel or its assignees. At the closing, Flexsteel shall convey the Property to Initiatives by Warranty Deed, free and clear of all liens, restrictions, and encumbrances. General warranties of the title shall extend to the

time of delivery of the deed excepting liens and encumbrances suffered or permitted by Initiatives. The warranty deed shall contain a covenant providing that the Property may not be used for any use less intense than the Light Industrial zoning designation under City's applicable zoning ordinances unless the proposed owner or user of the Property agrees to pay any and all costs incurred due to the less intense use, including but not limited to, any additional Environmental Remediation Costs.

1.4 City will not, and Flexsteel will not after conveyance of the Property to Initiatives, under any circumstances accept ownership of the Property.

SECTION 2. FUNDING OF DEMOLITION AND REMEDIATION OF THE PROPERTY.

2.1 From funds received by City from Dubuque County, Iowa (the "County") from the sale of property in Dubuque Industrial Center South First Addition (the "Development Property"), upon receipt of \$1,320,000 City shall contribute \$660,000 to an escrow agent mutually agreed to by the parties (the "City Escrow Agent"), to be held in escrow (the "City Escrow") for a period of 10 years or until the City Escrow funds are fully expended pursuant to the terms of this Agreement.

2.2 From additional funds received by City from the County from the sale of the Development Property in the amount of and upon receipt of \$300,000 per year from the County, City shall contribute \$300,000 a year for a period of six (6) years to the City Escrow and a final payment in the seventh year of \$200,000. The City payment shall commence on or before July 1, 2018, and shall continue on the 1st day of July of each year thereafter until the total of such payments is \$2,000,000; provided, however, as follows:

A. In the event that the Property is sold prior to the payment by City of all such funds to the City Escrow, after payment by and reimbursement of Initiatives from the City Escrow of all Reimbursable Expenses and Costs and Recurring Expenses, City may discontinue such payments to the City Escrow.

B. In the event that all structures are properly demolished, as determined by agreement of Initiatives and City, and prior to the payment by City of all such funds to the City Escrow, City shall be required to pay to the City Escrow only such funds as are necessary for payment by and reimbursement of Initiatives from the City Escrow of all Reimbursable Expenses and Costs and Recurring Expenses, pursuant to statements provided by Initiatives to City.

C. In the event prior to the payment by City of all such funds to the City Escrow, sufficient funds are received from grants or funds from sources other than the parties to this Agreement or Dubuque County for Demolition Costs, City shall be required to pay to the City Escrow only such funds as are necessary for payment by and reimbursement of Initiatives from the City Escrow of all Reimbursable Expenses and Costs and Recurring Expenses, pursuant to

statements provided by Initiatives to City.

D. If any funds remain in the City Escrow upon the occurrence and satisfaction of the conditions in (A), (B), or (C), such remaining funds shall be distributed as follows:

(1) To the City that percentage of the remaining funds equal to \$660,000, divided by the sum of \$660,000 plus the total payments made by City to the City Escrow under section 2.2 and

(2) The balance to Dubuque County. For example, if the County contributes \$2,000,000, the formula would be $\$660,000/\$2,660,000$ equals 24.8% which is the City share of such remaining funds and Dubuque County gets the remainder of the funds.

2.3 The total of all City payments to the City Escrow shall be \$2,660,000 ("City Escrow Funds").

2.4 Non-Appropriation.

A. Notwithstanding anything in this Agreement to the contrary, the obligation of City to pay any installment to the City Escrow shall be an obligation limited to currently budgeted funds, and not a general obligation or other indebtedness of City or a pledge of its full faith and credit within the meaning of any constitutional or statutory debt limitation, and shall be subject in all respects to the right of non-appropriation by the City Council of City as provided in this Section. City may exercise its right of non-appropriation as to the amount of the installments to be paid during any fiscal year during the term of this Agreement without causing a termination of this Agreement. The right of non-appropriation shall be exercised only by resolution affirmatively declaring City's election to non-appropriate funds otherwise required to be paid in the next fiscal year under this Agreement.

B. In the event the City Council of City elects to not appropriate sufficient funds in the budget for any future fiscal year for the payment in full of the installment due and payable in that future fiscal year, then City shall have no further obligation for the payment of any installments due in that future fiscal year which cannot be paid with the funds then appropriated for that purpose.

C. The right of non-appropriation reserved to City in this Section is intended by the parties, and shall be construed at all times, so as to ensure that City's obligation to pay future installments to the City Escrow shall not constitute a legal indebtedness of City within the meaning of any applicable constitutional or statutory debt limitation prior to the adoption of a budget which appropriates funds for the payment of that installment or amount. In the event that any of the provisions of this Agreement are determined by a court of competent jurisdiction to create, or result in the creation of, such a legal indebtedness of City, the

enforcement of the said provision shall be suspended, and the Agreement shall at all times be construed and applied in such a manner as will preserve the foregoing intent of the parties, and no event of default shall be deemed to have occurred as a result thereof. If any provision of this Agreement or the application thereof to any circumstance is so suspended, the suspension shall not affect other provisions of this Agreement which can be given effect without the suspended provision, and to this end the provisions of this Agreement are severable.

D. If City's non-appropriation is exercised any funds received by City from Dubuque County and not contributed to the City Escrow must be returned to Dubuque County.

2.5 The cost of demolition of structures on the Property, including the cost to survey, remove, and dispose of any asbestos or other hazardous building materials that are part of the structure, (the "Demolition Costs") shall be shared by City and Initiatives as follows:

A. City's Share: Up to a maximum of \$2,660,000 to be paid only out of the City Escrow Funds and only after depletion of the Initiatives Escrow Funds of \$2,660,000 which shall be provided by Flexsteel, as set forth below in Section 2.6. Funds from the City Escrow may be used only for Demolition Costs and to pay Reimbursable Costs and Expenses and Recurring Costs of Initiatives.

B. In no event shall City's Share of the Demolition Costs exceed \$2,660,000.

C. Any Demolition Costs in excess of the funds in the Initiatives Escrow and the City Escrow (and any additional funds the parties may obtain for such purposes) shall be paid by Initiatives.

D. Flexsteel's share of the Demolition Costs shall be limited to the amount of the Initiatives Escrow. Flexsteel shall be responsible for any costs associated with the review, removal or remediation of Hazardous Substances from the Property as required by any Environmental Law, except for costs related to asbestos removal from any structures on the Property (the "Environmental Remediation Costs"). It is the parties' intent that Flexsteel shall be responsible for any and all subsurface Environmental Remediation Costs and shall hold harmless and indemnify City and Initiatives from and against any such costs.

E. Contingent upon the successful application and receipt of funding of up to \$1,000,000 from the Iowa Economic Development Agency ("IEDA"), the parties agree that up to \$500,000.00 shall be available for use in any legally required subsurface remediation of the Property.

F. Initiatives shall pay to the City Escrow Agent that Agent's proper and reasonable fees and expenses, which fees and expenses may be paid from the

City Escrow as a Recurring Expense.

2.6 Flexsteel shall fully fund an escrow account (the "Initiatives Escrow") with not less than Two Million Six hundred and Sixty Thousand Dollars (\$2,660,000) which shall be available to reimburse Initiatives for all Reimbursable Costs and Expenses, including Demolition Costs and Environmental Remediation Costs, and all Recurring Costs. Flexsteel shall fund \$50,000.00 of such escrow upon execution of this Agreement (for use by Initiatives to pay costs and expenses associated with Initiatives' obligations hereunder) and shall fund the balance of the Initiatives escrow at the closing on the Property. The terms of the Initiatives Escrow and the identity of the Escrow Agent shall be mutually agreed by Initiatives and Flexsteel. Initiatives shall provide Flexsteel with estimated budgets and proposed contracts related to the above-ground demolition and remediation which, if approved in writing by Flexsteel, may be used by the Escrow Agent for disbursements to Initiatives. Escrow Agent may require such reasonable information and documentation as required to verify expenditures. In the event Flexsteel and Initiatives elect to proceed with Early Demolition Work, pursuant to paragraph 3.6 below, prior to initiation of such work Flexsteel shall fund the Initiatives Escrow with funds equal to one and one-half times the amount of any bid or estimate for the Early Demolition Work. Any such funds paid shall be a portion of the \$2,660,000.00 required to be paid hereunder.

2.7 In the event Initiatives applies for any funding sources for the environmental review and environmental remediation of the Property, City and Flexsteel agree to provide reasonable cooperation in the application process. Any agreement to accept funding for environmental review or remediation of the Property shall be subject to the approval of City and Flexsteel, both in their sole discretion. In no event, however, will City or Flexsteel agree to any funding which requires that City or Flexsteel accept or assume ownership of the Property. In no event will City agree to funding which requires City to accept any environmental liability for the Property.

SECTION 3. FUNDING THE ESCROW ACCOUNTS AND ADMINISTRATION OF THE ESCROW ACCOUNTS.

3.1 The City Escrow Agent shall hold, in accordance with the terms and conditions set forth in this Agreement, the City Escrow Funds for the purposes of (a) funding City's contribution, as set forth in Sections 2.1 and 2.2, of Demolition Cost incurred by Initiatives after May 1, 2017; and (b) paying to City that portion of the City Escrow Funds, including all interest and earnings thereon, not used by Initiatives to pay City's contribution to the Demolition Costs. Upon written notification of authorization to disburse funds executed by City and Initiatives, the City Escrow Agent shall pay City Escrow Funds directly to the party or parties in such amounts as are directed. On the date ten (10) years following the date of initial contribution by City of \$660,000 to the City Escrow Fund, unless earlier released due to sale of the Property, the Escrow Agent shall pay to City the remaining City Escrow Funds, and all interest or other earnings on the City Escrow Funds.

3.2 The City Escrow Funds are deemed public funds of the City until disbursed to Initiatives or other parties in accordance herewith. Accordingly said funds must only be invested by the Escrow Agent in accordance with City policy for investment of public funds. City guidance on approved investment parameters for the Escrow Agent to follow are attached hereto as Exhibit A. Deviation from said guidance without prior written approval of the City shall not be permitted.

3.3 Demolition Costs are only eligible for reimbursement from the City Escrow Funds within 10 years of the date of initial contribution by City of \$660,000 to the City Escrow.

3.4 Any costs incurred by Initiatives or its successors that are reimbursed from any federal or state programs, insurance, or any other third parties, are not eligible for reimbursement from the City Escrowed Funds.

3.5 Initiatives shall demolish all structures and conduct above-ground remediation on the Property with the costs thereof paid first from the Initiatives Escrow and then, after the Initiatives Escrow Fund has been exhausted, from the City Escrow Fund. Any Demolition Costs in excess of the aggregate funds in the Initiatives Escrow and the City Escrow (and any additional funds obtained by the parties for such expenses) shall be paid by Initiatives. Flexsteel shall then complete any under-ground environmental removal and/or remediation required by law or any governmental agency. Flexsteel shall not be required to remediate the Property for any use other than light industrial use. The warranty deed conveying the Property to Initiatives shall contain a covenant providing that the Property may not be used for any use less intense than the Light Industrial zoning designation under City's applicable zoning ordinances unless the proposed owner or user of the Property agrees to pay any and all costs incurred due to the less intense use, including but not limited to, any additional Environmental Remediation Costs.

3.6 It is the intent of the parties that demolition of structures by Initiatives shall begin as soon as possible after the transfer of title to the Property to Initiatives, and that all above-ground and under-ground remediation shall be completed within ten (10) years from the date of transfer of title. Initiatives shall hold Flexsteel harmless for any Demolition Costs which exceed the investment made by Flexsteel. Flexsteel shall hold harmless and indemnify Initiatives from any Environmental Remediation Costs, including any expenses associated with migration of pollutants on to or from the Property or any other required subsurface remediation work. Upon mutual agreement by Flexsteel and Initiatives, Initiatives may access the Property after the execution hereof and prior to vacation of the entirety of the Property and begin demolition of certain agreed upon structures on the Property ("Early Demolition Work"). Any contracts or other agreements related to Early Demolition Work shall be approved by Flexsteel prior to commencement of work. In the event the parties mutually agree to proceed with Early Demolition Work, Flexsteel agrees to indemnify Initiatives from and against any damages, claims or causes of action that arise from or are in any way related to the Early Demolition work, with the exception of any negligent, misrepresentation, misconduct, or unlawful act of Initiatives.

3.7 To the extent that the demolition and above-ground remediation is completed and funds remain in the Initiatives Escrow Fund, those funds may be used for any under-ground remediation required by law or any governmental agency. To the extent that the demolition and above-ground remediation is completed and no under-ground remediation is required by law or any governmental agency, any remaining funds in the Initiatives Escrow Fund shall be returned by the Escrow Agent to Flexsteel.

3.8 Dubuque County shall have the right to review and/or audit upon reasonable notice and at its expense the City Escrow Fund, including Dubuque Initiative claims or expenditures, with regard to the Property.

SECTION 4. SALE OF THE PROPERTY AFTER DEMOLITION AND REMEDIATION.

4.1 Initiatives shall market the Property for sale. City and Dubuque County must consent to any proposed sale of the Property, which consent shall not be unreasonably withheld.

4.2 The net proceeds of the sale of the Property shall be distributed as follows:

A. City and the Dubuque County have entered into an Offer to Buy and Acceptance (the Purchase Agreement) dated the 5th day of June, 2017 for the purchase of certain property described in that Purchase Agreement. Fifty percent (50%) of the net proceeds of the sale of the Property shall be distributed to City to be distributed by City to County but not to exceed the Purchase Price paid by County to City under the Purchase Agreement;

B. Seventeen percent (17%) to City but not to exceed City's share of the Demolition Costs paid out of the City Escrow Fund; and

C. The balance, if any, to Initiatives.

4.3 If the net proceeds from the sale of the Property are insufficient to pay all Reimbursable Expenses and Costs and Recurring Expenses incurred by Initiatives after the exhaustion of the Initiatives Escrow Funds and the City Escrow Funds, and any other funds available for such costs, any development agreement between City and a developer of the Property may include a provision that City has agreed to share the tax increment revenue generated from the Property with Initiatives to the extent needed to extinguish any remaining expenses or debts so long as those expenses relate to environmental response activities, demolition, asbestos remediation, site preparation, infrastructure improvements including water, sewer, roads, excavation of soils, administrative, marketing and professional fees or other contemplated or eligible expenses under one or more approved tax increment plans, and so long as the Property is actually generating tax revenues. However, any environmental liability for environmental contamination which is the liability of Flexsteel shall not receive

reimbursement through tax increment.

SECTION 5. RELEASE AND INDEMNIFICATION.

5.1 Except for any negligence, misrepresentation, misconduct, or any unlawful act of City or Initiatives, Flexsteel releases and shall indemnify, defend, and hold City and Initiatives, their officers, agents, and employees, harmless from any claim, demand, suit, action, administrative action, cost, expense, or other proceedings whatsoever arising from or related to the condition of the Property or any Hazardous Substance in or on the Property that existed at the time Initiatives acquires the Property.

5.2 All covenants, stipulations, promises, agreements and obligations of City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of City, and not of any governing body member, officer, agent, servant or employee of City in their individual capacity thereof.

5.3 The provisions of this Section shall survive the termination of this Agreement.

SECTION 6. DEFINITIONS. For the purposes of this Agreement, the following definitions shall apply:

6.1 "Environmental Law" shall mean any and all federal, state and/or local laws, regulations and legal requirements pertaining to (i) the protection of health, safety and the indoor and outdoor environment, (ii) the conservation, management or use of natural resources and wildlife, (iii) the protection, access to or use of surface water and groundwater, (iv) the management, manufacture, possession, presence, use, generation, transportation, treatment) storage, disposal, Release, threatened Release, abatement, removal, remediation or handling of, or exposure to, any Hazardous Substance or (v) pollution (including, without limitation, any Release to air, land, surface water and groundwater), and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. 6901 et seq.; the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. 1251 et seq.; the Clean Air Act of 1966, as amended, 41 U.S.C. 7401 et seq.; the Toxic Substances Control Act of 1976, 15 U.S.C. 2601 et seq.; the Hazardous Substances Transportation Act, 49 U.S.C. App. 1801 et seq.; the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. 651 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. 2701 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. 11001 et seq.; the National Environmental Policy Act of 1969, 42 U.S.C. 4321 et seq.; the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300(f) et seq.; Chapter 455B of the Iowa Code; any similar, implementing or successor law to any of the foregoing and any amendment, rule, regulation, order or directive issued thereunder.

6.2 “Hazardous Substance” or “Hazardous Substances” shall mean any hazardous or toxic substance, material or waste, which is or becomes regulated by any local government, the State of Iowa or the United States Government. It includes, without limitation, any material or substance that is (i) defined as a “hazardous substance” or “hazardous waste” under Chapter 455B, Iowa Code, (ii) petroleum and petroleum products, (iii) asbestos containing materials in any form or condition, (iv) designated as a “hazardous substance” pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1321), (v) defined as a “hazardous waste pursuant to § 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., (vi) defined as a “hazardous substance” pursuant to § 101 of the Comprehensive Environmental Response, Compensation and Liability Act, U.S.C § 9601 et seq., or (vii) defined as a “regulated substance” pursuant to Subchapter IX, Solid Waste Disposal Act (Regulation of Underground Storage Tanks), 42 U.S.C. § 6991 et seq.] The term “Hazardous Substance” shall not include any air emissions discharged into the atmosphere as allowed by a duly issued permit from the applicable governmental agency.

6.3 “Release” shall mean any spilling, migrating, seeping, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of any Hazardous Substance into the indoor or outdoor environment, including, without limitation, the abandonment or discarding of barrels, drums, containers, tanks and other receptacles containing or previously containing any Hazardous Substance and including without limitation the migration of any Hazardous Substance onto the Property from an adjacent property.

6.4 “Reimbursable Expenses and Costs” shall mean any and all costs incurred by Initiatives in any way related to ownership, maintenance or improvement of the Property, including, but not limited to, Demolition Costs and Environmental Remediation Costs, any claims or causes of action related to the Property, and costs for removal of buildings, foundations or other structures, costs of retained experts and attorneys’ fees. Reimbursable Expenses and Costs shall be paid by the respective Escrow Agent first from the Initiatives Escrow Funds, and after the Initiatives Funds have been exhausted, from the City Escrow Funds, within thirty (30) days of receipt by the Escrow Agent of an invoice (and any supporting documentation) from Initiatives and a copy of Flexsteel’s written consent, and, if the funds are to be paid from the City Escrow Funds, City’s written consent to the expense and payment thereof.

6.5 “Recurring Expenses” shall mean those reasonable expenses incurred by Initiatives that are incurred in holding the Property and that do not relate to taking physical actions, improvements or changes to the Property. Recurring Expenses shall expressly include any insurance premium or deductible costs, real estate taxes or assessments of any kind, security for the Property and attorneys’ fees incurred related to the Property or this Agreement. Recurring Expenses shall be paid to Initiatives from the Initiatives’ Escrow Funds or, if the Initiatives Escrow Funds have been exhausted, the City Escrow Funds, by the respective Escrow Agent within thirty (30) days of submission by Initiatives of an invoice, and any reasonable documentation of the

expense requested by the Escrow Agent, related to such expense.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES.

7.1 Events of Default Defined. "Events of Default" under this Agreement and the term "Event of Default", whenever it is used in this Agreement, shall mean:

A Failure by Flexsteel to substantially observe or perform any material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement; or

B Failure by Flexsteel to substantially observe or perform any material covenant, condition, obligation or agreement on its part to be observed or performed under the Development Agreement.

7.2 Remedies on Default by Flexsteel. Whenever any Event of Default referred to in Section 7.1 of this Agreement occurs and is continuing, City or Initiatives, as specified below, may take any one or more of the following actions after the giving of written notice by City or Initiatives to Flexsteel and all other parties to this Agreement of the Event of Default, but only if the Event of Default has not been cured within sixty (60) days following such notice, or if the Event of Default cannot be cured within sixty (60) days and Flexsteel does not provide assurances to City or Initiatives that the Event of Default will be cured as soon as reasonably possible thereafter:

A City or Initiatives may suspend its performance under this Agreement until it receives assurances from Flexsteel, deemed adequate by City or Initiatives, that Flexsteel will cure its default and continue its performance under this Agreement;

B City or Initiatives may take any action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement or to recover any damages incurred due to such breach.

C City shall be entitled to recover from Flexsteel all amounts expended by City in connection with the funding of the City Escrow Account, and City may take any action, including any legal action it deems necessary, to recover such amounts from Flexsteel. Initiatives shall be entitled to recover from Flexsteel all amounts expended by Initiatives related to any default of Flexsteel hereunder, and may take any action, including any legal action it deems necessary, to recover such amounts from Flexsteel.

7.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to City or Initiatives is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by

statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

7.4 No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

7.5 Agreement to Pay Attorneys' Fees and Expenses. If any action at law or in equity, including an action for declaratory relief or arbitration, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs of litigation from the other party. Such fees and costs of litigation may be set by the court in the trial of such action or by the arbitrator, as the case may be, or may be enforced in a separate action brought for that purpose. Such fees and costs of litigation shall be in addition to any other relief that may be awarded.

7.6 Remedies on Default by City. If City defaults in the performance of this Agreement, Flexsteel or Initiatives may take any action, including legal, equitable or administrative action that may appear necessary or desirable to collect any payments due under this Agreement, to recover expenses of Flexsteel or Initiatives, or to enforce performance and observance of any obligation, agreement, or covenant of City under this Agreement. Flexsteel or Initiatives may suspend performance under this Agreement until it receives assurances from City, deemed adequate by Flexsteel or Initiatives, that City will cure its default and continue its performance under this Agreement.

7.7 Remedies on Default by Initiatives. If Initiatives defaults in the performance of this Agreement, Flexsteel or City may take any action, including legal, equitable or administrative action that may appear necessary or desirable to collect any payments due under this Agreement, to recover expenses of Flexsteel or City, or to enforce performance and observance of any obligation, agreement, or covenant of Initiatives under this Agreement. Flexsteel or City may suspend performance under this Agreement until it receives assurances from Initiatives, deemed adequate by Flexsteel or City, that Initiatives will cure its default and continue its performance under this Agreement.

SECTION 8 GENERAL TERMS AND PROVISIONS.

8.1 Notices and Demands. Whenever this Agreement requires or permits any notice or written request by one party to another, it shall be deemed to have been properly given if and when delivered in person or three (3) business days after having been deposited in any U.S. Postal Service and sent by registered or certified mail, postage prepaid, addressed as follows:

If to Flexsteel: Flexsteel Industries, Inc.
Attn: Chief Financial Officer
385 Bell Street
Dubuque, Iowa 52001
Phone: (563) 556-7730

With copy to:

Flexsteel Industries, Inc.
In-House Corporate Counsel
385 Bell Street
Dubuque, Iowa 52001
Phone: (563) 557-7730

If to City: City Manager
50 W. 13th Street
Dubuque, Iowa 52001
Phone: (563) 589-4110
Fax: (563) 589-4149

With copy to:

City Attorney
City Hall
50 W. 13th Street
Dubuque, Iowa 52001

If to Initiatives: Douglas J. Horstmann, President
c/o Jill Connors
50 W. 13th Street
Dubuque, Iowa 52001

With copy to:

Flint Drake
Drake Law Firm, PC
300 Main St., Suite 323
Dubuque, Iowa 52001

or at such other address with respect to any party as that party may, from time to time designate in writing and forward to the other as provided in this Section.

8.2 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of City, Initiatives, and Flexsteel and their respective successors and assigns.

8.3 The Parties agree that Dubuque County, Iowa is an intended Third Party Beneficiary to Sections 2.2, 3.8, 4.1, and 4.2.

8.4 Subject to Execution of Development Agreement. This Agreement is subject to the execution of (1) the Development Agreement by City and Flexsteel for the development of Lot 4 of Dubuque Industrial Center South First Addition in the City of Dubuque, Iowa by not later than July 1, 2017, (2) an Offer to Buy and Acceptance Between the City of Dubuque and Dubuque County, Iowa, (3) a purchase agreement between Dubuque County, Iowa and Flexsteel Industries, Inc. or a wholly-owned subsidiary of Flexsteel Industries, Inc. and in the event that all such agreements are not executed by such date, this Agreement shall be null and void without further action of the parties.

8.5 Insurance. Flexsteel shall maintain at all times during the term of this Agreement all insurance on the Property in effect as of the date of this Agreement unless and until Initiatives takes possession and title of the Property as provided in Section 1.

IN WITNESS WHEREOF, City has caused this Agreement to be duly executed in its name and behalf by its Mayor and attested to by its City Clerk and Flexsteel and Initiatives have caused this Agreement to be duly executed.

CITY OF DUBUQUE, IOWA

FLEXSTEEL INDUSTRIES, INC.

By: /S/ Roy D. Buol
Roy D. Buol, Mayor

By: /S/ Timothy E. Hall
Timothy E. Hall, SVP Finance
CFO and Secretary

By: /S/ Kevin S. Firnstahl
Kevin S. Firnstahl
City Clerk

DUBUQUE INITIATIVES

By: /S/ Douglas J. Horstmann
Douglas J. Horstmann, President
