

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended June 30, 2023

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 0-5151

FLEXSTEEL INDUSTRIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Incorporated in State of Minnesota
(State or other Jurisdiction of
Incorporation or Organization)

42-0442319
(I.R.S. Identification No.)

385 BELL STREET
DUBUQUE, IA 52001-0877
(Address of Principal Executive Offices) (Zip Code)
(563) 556-7730
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FLXS	The Nasdaq Stock Market, LLC

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large, accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See definitions of "large, accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one).

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Common Stock - \$1.00 Par Value

Shares Outstanding as of August 25, 2023

5,164,794

The aggregate market value of the voting stock held by non-affiliates, computed by reference to the last sales price on December 30, 2022 (which was the last business day of the registrant's most recently completed second quarter) was \$72,442,576.

DOCUMENTS INCORPORATED BY REFERENCE

In Part III, portions of the registrant's 2023 Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year end.

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PART I**Cautionary Statement Relevant to Forward-Looking Information for the Purpose of “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995**

The Company and its representatives may from time to time make written or oral forward-looking statements with respect to long-term goals or anticipated results of the Company, including statements contained in the Company’s filings with the Securities and Exchange Commission and in its reports to stockholders.

Statements, including those in this Annual Report on Form 10-K, which are not historical or current facts, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause the Company’s results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risk and uncertainty. Some of the factors that could affect results are the cyclical nature of the furniture industry, supply chain disruptions, litigation, the effectiveness of new product introductions and distribution channels, the product mix of sales, pricing pressures, the cost of raw materials and fuel, changes in foreign currency values, retention and recruitment of key employees, actions by governments including laws, regulations, taxes and tariffs, the amount of sales generated and the profit margins thereon, competition (both U.S. and foreign), credit exposure with customers, participation in multi-employer pension plans, disruptions or security breaches to business information systems, the impact of any future pandemic, and general economic conditions. For further information regarding these risks and uncertainties, see the “Risk Factors” section in Item 1A of this Annual Report on Form 10-K.

The Company specifically declines to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Item 1. Business*General*

Flexsteel Industries, Inc., and Subsidiaries (the “Company”) is one of the largest manufacturers, importers, and marketers of residential furniture products in the United States. Product offerings include a wide variety of furniture such as sofas, loveseats, chairs, reclining rocking chairs, swivel rockers, sofa beds, convertible bedding units, occasional tables, desks, dining tables and chairs, kitchen storage, bedroom furniture, and outdoor furniture. A featured component in most of the upholstered furniture is a unique steel drop-in seat spring from which the name “Flexsteel” is derived. The Company distributes its products throughout the United States through its e-commerce channel and direct sales force.

The Company operates in one reportable segment, furniture products. The Company’s furniture products business involves the distribution of manufactured and imported products consisting of a broad line of furniture for the residential market. In fiscal 2020, the Company substantially completed its exit from the Commercial Office and custom design Hospitality product lines which served contract markets. During fiscal 2021, the Company substantially completed its restructuring activities related to the exit of its Vehicle Seating and the remainder of its Hospitality product lines, which also served contract markets. Set forth below is information for the past three fiscal years showing the Company’s net sales attributable to each of the areas of application:

<i>(in thousands)</i>	For the years ended June 30,		
	2023	2022	2021
Residential	\$ 393,692	\$ 543,447	\$ 476,519
Contract	—	835	2,406
	<u>\$ 393,692</u>	<u>\$ 544,282</u>	<u>\$ 478,925</u>

Manufacturing and Offshore Sourcing

During the fiscal year ended June 30, 2023, the Company operated manufacturing facilities located in Dublin, Georgia, and Juarez, Mexico. These ongoing manufacturing operations are integral to the Company’s product offerings and distribution strategy by offering smaller and more frequent product runs of a wider product selection. The Company identifies and eliminates manufacturing inefficiencies and adjusts manufacturing schedules on a daily basis to meet customer requirements. The Company has established relationships with key suppliers to ensure prompt delivery of quality component parts. The Company’s production includes the use of selected component parts sourced offshore to enhance value in the marketplace.

The Company integrates manufactured products with finished products acquired from offshore suppliers who can meet quality specifications and scheduling requirements. The Company will continue to pursue and refine this blended strategy, offering customers manufactured goods, products manufactured utilizing imported component parts, and ready-to-deliver imported products. This blended focus on products allows the Company to provide a wide range of price points, styles and product categories to satisfy customer requirements.

Competition

The furniture industry is highly competitive and includes a large number of U.S. and foreign manufacturers and distributors, none of which dominate the market. The Company competes in markets with a large number of relatively small manufacturers; however, certain competitors have substantially greater sales volumes than the Company. The Company's products compete based on style, quality, price, delivery, service and durability. The Company believes its patented, guaranteed-for-life Blue Steel Spring, manufacturing and sourcing capabilities, facility locations, commitment to customers, product quality, delivery, service, value and experienced production, sales, marketing and management teams, are some of its competitive advantages.

Seasonality

The Company's business is not considered seasonal.

Foreign Operations

The Company has minimal export sales. On June 30, 2023, the Company had approximately 34 employees located in Asia to ensure Flexsteel's quality standards are met and to coordinate the delivery of products acquired from overseas suppliers. The Company leases and operates three manufacturing facilities in Juarez, Mexico and leases one manufacturing facility in Mexicali, Mexico and had approximately 1,200 employees located in Mexico on June 30, 2023. The four Mexico facilities total 1,061,000 square feet. As of June 30, 2023, the Company has not begun operations in the Mexicali facility and had subleased approximately 105,000 square feet. The Company is in negotiations to sublease the remainder of the facility until such time that demand necessitates the additional capacity. See "Risk Factors" in Item 1A and Note 2 *Leases* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion of the leased assets.

Customer Backlog

The approximate backlog of customer orders believed to be firm as of the end of the current fiscal year and the prior two fiscal years were as follows (in thousands):

	June 30, 2023		June 30, 2022		June 30, 2021
\$	49,729	\$	62,800	\$	155,325

Raw Materials

The Company utilizes various types of wood, fabric, leather, filling material, high carbon spring steel, bar and wire stock, polyurethane foam and other raw materials in manufacturing furniture. The Company purchases these materials from numerous outside suppliers, both U.S. and foreign, and is not dependent upon any single source of supply. The costs of certain raw materials fluctuate, but all continue to be readily available within supplier lead-times; however, we could experience supply-chain disruptions at any time, which could impact the availability of materials.

Industry Factors

The Company has exposure to actions by governments, including tariffs, see "Risk Factors" in Item 1A of this Annual Report on Form 10-K.

Government Regulations

The Company is subject to various local, state, and federal laws, regulations and agencies that affect businesses generally, see "Risk Factors" in Item 1A of this Annual Report on Form 10-K. Our compliance with federal, state and local laws and regulations did not have a material effect upon our capital expenditures, earnings or competitive position during the fiscal year ended June 30, 2023.

Environmental Matters

All of Flexsteel's stakeholders have a responsibility to protect our employees and our environment. The officers of Flexsteel and its subsidiaries will use our role as business and community leaders to set the tone at the top to guide our management teams in their efforts

to improve the workplace and the environment we directly impact. Because we are committed to sustainable business practices, to our people, and to our communities, we will continue to grow and expand the scope of our dedications to the stewardship of our valued resources. The Company is subject to environmental laws and regulations with respect to product content and industrial waste. Further discussion is included in “Risk Factors” in Item 1A and “Legal Proceedings” in Item 3 of this Annual Report on Form 10-K.

Trademarks and Patents

The Company owns the United States improvement patents to its Flexsteel guaranteed-for-life Blue Steel Spring – the all-riveted, high-carbon, steel-banded seating platform that gives upholstered and leather furniture the strength and comfort to last a lifetime, as well as patents on convertible beds. The Company owns other patents and owns certain trademarks in connection with its furniture.

It is not common in the furniture industry to obtain a patent for a furniture design. If a particular design of a furniture manufacturer is well accepted in the marketplace, it is common for other manufacturers to imitate the same design without recourse by the furniture manufacturer who initially introduced the design. Furniture products are designed by the Company’s own design staff and through the services of third-party designers. New models and designs of furniture, as well as new fabrics, are introduced continuously.

Employees

The Company had approximately 1,700 employees on June 30, 2023, including 6 employees who are covered by collective bargaining agreements. Management believes it has good relations with employees.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website (www.flexsteel.com) as soon as reasonably practicable after we electronically file the material with or furnish it to the U.S. Securities and Exchange Commission (SEC). Additionally, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Information on our website or linked to our website is not incorporated by reference into this Annual Report.

Item 1A. Risk Factors

The Company is subject to a variety of risks. You should carefully consider the risk factors detailed below in conjunction with the other information contained in this Annual Report on Form 10-K. Should any of these risks materialize the Company’s business, financial condition, and future prospects could be negatively impacted. There may be additional factors that are presently unknown to the Company or that the Company currently believes to be immaterial that could affect its business.

Risks related to our operations:

Business information systems could be impacted by disruptions and security breaches.

The Company employs information technology systems to support its global business. Security breaches and other disruptions to the Company’s information technology infrastructure could interfere with operations, compromise information belonging to the Company and its customers and suppliers and expose the Company to liability which could adversely impact the Company’s business and reputation. In the ordinary course of business, the Company relies on information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. Additionally, the Company collects and stores certain data, including proprietary business information, and may have access to confidential or personal information in certain areas of its businesses that is subject to privacy and security laws, regulations, and customer-imposed controls. While security breaches and other disruptions to the Company’s information technology networks and infrastructure could happen, none have occurred to date that has had a material impact on the Company. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to the Company’s reputation, which could adversely affect the Company’s business.

In addition, in response to shifts in employee workplace preferences, we have allowed certain of our employees the option of a hybrid work schedule where they may choose to work partially from home. Although we continue to implement strong physical and cybersecurity measures to ensure that our business operations remain functional and to ensure uninterrupted service to our customers, our systems and our operations remain vulnerable to cyberattacks and other disruptions because a material portion of our employees work remotely either full or part-time, and we cannot be certain that our mitigation efforts will be effective.

The implementation of a new business information system could disrupt the business.

The Company continues to migrate business and financial processes from legacy ERP systems to SAP. The Company takes great care in the planning and execution of these migrations, however, implementation issues related to the transition could arise and may result in the following:

- Disruption of the Company's domestic and international supply chain;
- Inability to fill customer orders accurately and on a timely basis;
- Negative impact on financial results;
- Inability to fulfill federal, state and local tax filing requirements in a timely and accurate matter; and
- Increased demands of management and associates to the detriment of other corporate initiatives.

The Company's participation in a multi-employer pension plan may have exposures under those plans that could extend beyond what its obligations would be with respect to its employees.

The Company participates in, and makes periodic contributions to, one multi-employer pension plan that covers union employees. Multi-employer pension plans are managed by trustee boards comprised of participating employer and labor union representatives, and the employers participating in a multi-employer pension plan are jointly responsible for maintaining the plan's funding requirements. Based on the most recent information available to the Company, the present value of actuarially accrued liabilities of the multi-employer pension plan substantially exceeds the value of the assets held in trust to pay benefits. As a result of the Company's participation, it could experience greater volatility in the overall pension funding obligations. The Company's obligations may be impacted by the funded status of the plans, the plans' investment performance, changes in the participant demographics, financial stability of contributing employers and changes in actuarial assumptions. See Note 12 *Benefit and Retirement Plans* of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information.

Future results may be affected by various legal proceedings and compliance risk, including those involving product liability, environmental, or other matters.

The Company faces the risk of exposure to product liability claims in the event the use of any of its products results in personal injury or property damage. In the event any of the Company's products prove to be defective, it may be required to recall or redesign such products. The Company is also subject to various laws and regulations relating to environmental protection and the discharge of materials into the environment. The Company could incur substantial costs, including legal expenses, as a result of the noncompliance with, or liability for cleanup or other costs or damages under, environmental laws. Given the inherent uncertainty of litigation, these various legal proceedings and compliance matters could have a material impact on the business, operating results, and financial condition. See Note 13 *Commitments and Contingencies* of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information.

We may experience impairment of our long-lived assets, which would decrease our earnings and net worth.

At June 30, 2023, we had \$38.7 million in property, plant and equipment and \$68.3 million in right of use assets associated with leased facilities. These definite-lived assets are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. The outcome of impairment testing could result in the write-down of all or a portion of the value of these assets. A write-down of our assets would, in turn, reduce our earnings and net worth. In particular, if capacity requirements do not necessitate the utilization of our leased Mexicali, Mexico facility and we are unsuccessful at subleasing the facility in the future the carrying amount of the right of use asset associated with that lease may not be recoverable. A write-down of all or a portion of the value of the Mexicali right of use asset could have a material impact on our earnings in the period of impairment. At June 30, 2023 the Company does not believe any impairment indicators exist due to current and expected sublease tenants and plans for future operations but impairment assessment involves the use of considerable judgement and any change in future market or economic conditions could cause actual results to differ.

The Company's success depends on its ability to recruit and retain key employees and highly skilled workers in a competitive labor market.

If the Company is not successful in recruiting and retaining key employees and highly skilled workers or experiences the unexpected loss of those employees, the operations may be negatively impacted.

Additionally, we are and will continue to be dependent upon our senior management team and other key personnel. Losing the services of one or more key members of our management team or other key personnel could adversely affect our operations. Ongoing or future communicable diseases increase the risk that certain senior executive officers or a member of the board of directors could become ill,

causing them to be incapacitated or otherwise unable to perform their duties for an extended absence. This could negatively impact the efficiency and effectiveness of processes and internal controls throughout the Company and our ability to service customers.

We may not be able to collect amounts owed to us.

We grant payment terms between 10 and 60 days to customers, often without requiring collateral. Due to ongoing global supply chain issues and inflationary cost pressures, some customers have requested extended payment terms or informed us they will not pay amounts within agreed upon terms. Some of our customers have experienced, and may in the future experience, cash flow and credit-related issues. While we perform credit evaluations of our customers, those evaluations may not prevent uncollectible trade accounts receivable. Credit evaluations involve significant management diligence and judgment, especially in the current environment. Should more customers experience liquidity issues than we anticipate, if payment is not received on a timely basis, or if a customer declares bankruptcy or closes stores, we may have difficulty collecting amounts owed to us by these customers, which could adversely affect our sales, earnings, financial condition, and liquidity.

Risks related to our industry:

The impact of COVID-19 or similar pandemics could have a materially adverse effect on our ability to operate, our ability to keep employees safe from the pandemic, our results of operations, and financial condition.

During the initial height of the COVID-19 pandemic, purchases of home furnishings were heavily impacted as they are largely deferrable and heavily influenced by consumer sentiment. Public health organizations recommended, and many governments implemented, measures from time-to-time to slow and limit the transmission of the virus, including certain business shutdowns and shelter in place and social distancing requirements. Such preventive measures, or others we may voluntarily put in place, may have a material adverse effect on our business for an indefinite period of time, such as the potential shut down of certain locations, decreased employee availability, potential border closures, and disruptions to the businesses of our selling channel partners, and others.

Our suppliers and customers also face these and other challenges, which have and could continue to lead to a disruption in our supply chain, raw material inflation or the inability to get the raw materials necessary to produce our products, increased shipping, and transportation costs, as well as decreased consumer spending and decreased demand for our products. A resurgence of the COVID-19 pandemic or other public health emergency in the future could have a material adverse effect on our ability to operate, our ability to keep employees safe from the pandemic, our results of operations, and financial condition.

Continuing inflation and changes in foreign currency may impact our profitability.

Cost inflation including significant increases in ocean container rates, raw materials prices, labor rates, and domestic transportation costs have and could continue to impact profitability. Continued imbalances between supply and demand for these resources may continue to exert upward pressure on costs.

The Company purchases raw materials, component parts, and certain finished goods from foreign external suppliers. Prices for these purchases are primarily negotiated in U.S. dollars on a purchase order basis. A negative shift in the U.S. dollar relative to the local currency of our supplier could result in price increases and negatively impact our cost structure. In addition, the majority of our manufactured products are produced in Mexico. The wages of our employees and certain other employee benefit and indirect costs are made in Pesos. The Company does not employ any foreign currency hedges against this exposure. A negative shift in the value of the U.S. dollar against the Peso could increase the cost of manufacturing.

Our ability to recover these cost increases through price increases may continue to lag the cost increases, resulting in downward pressure on margins. In addition, price increases to offset rising costs could negatively impact demand for our products.

The Company's products are considered deferrable purchases for consumers during economic downturns. Prolonged negative economic conditions could impact the business.

Economic downturns and prolonged negative economic conditions could affect consumer spending habits by decreasing the overall demand for home furnishing products. These events could impact retailers resulting in an impact on the Company's business. A recovery in the Company's sales could lag significantly behind a general economic recovery due to the deferrable nature and relatively significant cost of purchasing home furnishing products.

Future success depends on the Company's ability to manage its global supply chain.

The Company acquires raw materials, component parts, and certain finished products from external suppliers, both U.S. and foreign. Many of these suppliers are dependent upon other suppliers in countries other than where they are located. This global interdependence

within the Company's supply chain is subject to delays in delivery, availability, quality, and pricing. Changes in international trade policies including tariffs, access to ports and border crossings, or railways could disrupt the supply chain, increase cost and reduce competitiveness. The delivery of goods from these suppliers has been and may continue to be delayed by customs, labor issues, availability of third-party transportation and equipment, geo-political pressures, changes in political, economic, and social conditions, weather, laws, and regulations. Unfavorable fluctuations in price, international trade policies, quality, delivery, and availability of these products could continue to adversely affect the Company's ability to meet demands of customers and cause negative impacts to the Company's cost structure, profitability, and its cash flow.

Enacted tariffs and potential future increases in tariffs on manufactured goods imported from China or other countries could adversely affect our business. Inability to reduce acquisition costs or pass-through price increases may have an adverse impact on sales volume, earnings, and liquidity. Similarly, increases in pricing may have an adverse impact on the competitiveness of the Company's products relative to other furniture manufacturers with less exposure to the tariff and could also lead to adverse impacts on volume, earnings, and liquidity.

Additionally, a disruption in supply from foreign countries could adversely affect our ability to timely fill customer orders for those products and decrease our sales, earnings, and liquidity. The main foreign countries we source from are Vietnam, China, Thailand, and Mexico. It is unclear how our supply chain could be further impacted by COVID-19, including the spread of new variants, and there are many unknowns including how long we could be impacted, the severity of the impacts, and the probability of a recurrence of COVID-19 or similar regional or global pandemics. If we were unsuccessful in obtaining those products from other sources or at comparable cost, a disruption in our supply chain could adversely affect our sales, earnings, financial condition, and liquidity.

Finally, the Company relies on third parties to deliver customer orders. The capacity of these third parties or cost of this service could be impacted by labor disputes, cost inflation (particularly fuel), and availability of drivers which could increase cost and have negative impacts on our earnings.

Competition from U.S. and foreign finished product manufacturers may adversely affect the business, operating results or financial condition.

The furniture industry is very competitive and fragmented. The Company competes with U.S. and foreign manufacturers and distributors. As a result, the Company may not be able to maintain or raise the prices of its products in response to competitive pressures or increasing costs. Also, due to the large number of competitors and their wide range of product offerings, the Company may not be able to significantly differentiate its products (through styling, finish, and other construction techniques) from those of its competitors.

Additionally, most of our sales are to distribution channels that rely on physical stores to merchandise and sell our products and an involuntary shut down of those stores due to COVID-19 or similar pandemic or a significant shift in consumer preference toward purchasing products online could have a materially adverse impact on our sales and operating margin.

These and other competitive pressures could cause us to lose market share, revenues, and customers, increase expenditure or reduce prices, any of which could have a material adverse effect on our results of operations or liquidity.

Future costs of complying with various laws and regulations may adversely impact future operating results.

The Company's business is subject to various laws and regulations which could have a significant impact on operations and the cost to comply with such laws and regulations could adversely impact the Company's financial position, results of operations and cash flows. In addition, inadvertently failing to comply with such laws and regulations could produce negative consequences which could adversely impact the Company's operations.

Failure to anticipate or respond to changes in consumer or designer tastes and fashions in a timely manner could adversely affect the Company's business and decrease sales and earnings.

Furniture is a styled product and is subject to rapidly changing consumer and end-user trends and tastes and is highly fashion oriented. If the Company is not able to acquire sufficient fabric variety or if the Company is unable to predict or respond to changes in fashion trends, it may lose sales and have to sell excess inventory at reduced prices.

Use of social media to disseminate negative commentary may adversely impact the Company's reputation and business.

There has been a substantial increase in the use of social media platforms, including blogs, social media websites, and other forms of internet-based communications, which allow individuals to access a broad audience of consumers and other interested persons. Negative commentary regarding the Company or its products may be posted on social media platforms at any time and may have an adverse impact on its reputation, business, or relationships with third parties, including suppliers, customers, investors, and lenders. Consumers

value readily available information and often act on such information without further investigation and without regard to its accuracy or context. The harm may be immediate without affording the Company an opportunity for redress or correction.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company owns the following facilities as of June 30, 2023:

Location	Approximate Size (square feet)	Principal Operations
Huntingburg, Indiana	611,000	Distribution
Edgerton, Kansas	500,000	Distribution
Starkville, Mississippi ⁽¹⁾	349,000	Manufacturing (Held for Sale)
Dublin, Georgia	315,000	Manufacturing
Dubuque, Iowa	40,000	Corporate Office

(1) Facility is classified as held for sale as of June 30, 2023. See Note 6 *Assets Held for Sale* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for disclosure of the assets held for sale.

The Company leases the following facilities as of June 30, 2023:

Location	Approximate Size (square feet)	Principal Operations
Mexicali, Mexico	508,000	Manufacturing
Greencastle, Pennsylvania	242,000	Distribution
Juarez, Mexico	225,000	Manufacturing
Juarez, Mexico	197,000	Manufacturing
Juarez, Mexico	131,000	Manufacturing
High Point, North Carolina	58,000	Showroom
El Paso, Texas	38,000	Warehouse
Las Vegas, NV	6,000	Showroom
Shenzhen, China	2,000	Office
Bangkok, Thailand	1,500	Office
Binh Duong, Vietnam	1,000	Office

See Note 2 *Leases* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion of the leased assets.

Item 3. Legal Proceedings

See Note 13 *Commitments and Contingencies* of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for discussion of legal proceedings.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company’s common stock is traded on the NASDAQ Global Select Market under the trading symbol FLXS.

Holders of Record

The Company estimates there were approximately 3,000 beneficial holders of common stock of the Company as of June 30, 2023. The payment of future cash dividends is within the discretion of the Company’s Board of Directors and will depend, among other factors, on its earnings, capital requirements and operating and financial condition.

Purchases of Equity Securities

On January 20, 2022, the Board of Directors approved a repurchase program authorizing the Company to purchase up to an additional \$30 million of the Company’s common stock through January 19, 2025. All purchases were made in the open market.

The following table summarizes the activity of the common stock repurchases made during the three months ended June 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Plan	Approximate Dollar Value of Shares that May Yet Be Purchased
April 1, 2023, to April 30, 2023	17,894	\$ 18.71	1,374,056	\$ 4,162,934
May 1, 2023, to May 31, 2023	13,237	17.46	1,387,293	3,944,992
June 1, 2023, to June 30, 2023	8,753	18.86	1,396,046	3,779,477
As of June 30, 2023	39,884	\$ 18.33	1,396,046	\$ 3,779,477

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

General

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Results of Operations

The following table has been prepared as an aid in understanding the Company’s results of operations on a comparative basis for the fiscal years ended June 30, 2023, 2022 and 2021. Amounts presented are percentages of the Company’s net sales.

	For the years ended June 30,		
	2023	2022	2021
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	82.0	86.6	79.8
Gross margin	18.0	13.4	20.2
Selling, general and administrative	16.0	12.3	14.2
Restructuring expense	—	0.1	0.7
Environmental remediation	(0.7)	—	—
(Gain) on disposal of assets	—	(0.3)	(1.2)
Other expense	0.1	—	—
Litigation settlement costs	—	—	0.0
Operating income	2.7	1.2	6.5
Other income	0.0	0.0	0.1
Interest (expense)	(0.3)	(0.2)	(0.0)
Income before income taxes	2.3	1.1	6.6
Income tax (benefit) expense	(1.4)	0.7	1.8
Net income	3.8 %	0.3 %	4.8 %

Fiscal 2023 Compared to Fiscal 2022

Net sales were \$393.7 million for the year ended June 30, 2023, compared to net sales of \$544.3 million in the prior year, a decrease of (\$150.6) million or (27.7%). Sales of products sold through retailers declined by (\$142.5) million or (29.3%) primarily driven by consumer demand returning to pre-pandemic levels and competitive pressure to lower prices. Sales of products sold through e-commerce channels decreased by (\$8.1) million, or (13.8%) due to a decrease in consumer demand.

Gross margin as a percent of net sales for the year ended June 30, 2023, was 18.0%, compared to 13.4% for the prior year period, an increase of 460 basis points ("bps"). The 460-bps increase was primarily driven by a 680-bps increase related to lower ancillary charges caused by domestic supply chain disruptions and higher per diem charges in the prior year, an increase of 40-bps primarily related to cost savings initiatives for materials, labor, and transportation, a decrease of 150-bps due to pricing promotions and inventory write-downs, and a decrease of 110-bps related to capacity growth investments in manufacturing and distribution.

Selling, general, and administrative ("SG&A") expenses decreased by \$3.9 million in the year ended June 30, 2023, compared to the prior fiscal year. As a percentage of net sales, SG&A expense was 16.0% in the fiscal year 2023 compared to 12.3% of net sales in the prior fiscal year. The increase of 370-bps is primarily due to an increase of 350-bps due to deleverage on year-over-year sales decline and an increase of 20-bps due to higher incentive compensation and investment in growth initiatives.

There were no restructuring expenses in the year ended June 30, 2023, as all restructuring activities were completed in the prior fiscal year. The prior fiscal year expenses were primarily for ongoing costs associated with our facilities listed as held for sale, professional fees, and former employee expenses as part of our previously announced comprehensive restructuring plan. See Note 5, *Restructuring*, of the Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for more information.

During the year ended June 30, 2023, the Company recorded income of \$2.8 million as a result of insurance proceeds received related to the settlement of the environmental remediation liability. See Note 13 *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for more information.

Income tax benefit was (\$5.6) million, or an effective rate of (60.3%), for the year ended June 30, 2023, compared to income tax expense of \$4.1 million in the prior year, or an effective tax rate of 68.6%. The effective tax rate was primarily impacted by the release of our valuation allowance on deferred tax assets. See Note 10, *Income Taxes*, of the Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for more information.

Net income was \$14.8 million, or \$2.74 per diluted share for the year ended June 30, 2023, compared to net income of \$1.9 million, or \$0.28 per diluted share in the prior year.

Fiscal 2022 Compared to Fiscal 2021

Net sales were \$544.3 million for the year ended June 30, 2022, compared to net sales of \$478.9 million in the prior year, an increase of \$65.4 million or 13.6%. Sales of products sold through retailers grew by \$73.4 million or 17.8% primarily driven by pricing and a strong order backlog at the start of the year. Sales of products sold through e-commerce channels decreased by (\$8.0) million, or (12%) due to a decrease in consumer demand.

Gross margin as a percent of net sales for the year ended June 30, 2022, was 13.4%, compared to 20.2% for the prior year period, a decrease of 680-bps. The 680-bps decrease was primarily driven by a 450-bps decrease related to ancillary charges caused by domestic supply chain disruptions and higher per diem charges, a decrease of 200-bps due to pricing promotions and inventory write-downs, a decrease of 110-bps related to capacity growth investments in a third additional manufacturing plant in Mexico, and a new distribution facility in Greencastle, Pennsylvania, and a decrease of 70-bps primarily related to cost inflation for materials, labor, and transportation, partially offset by an increase of 150-bps related to price realization.

SG&A expenses decreased by \$1.2 million in the year ended June 30, 2022, compared to the prior fiscal year. As a percentage of net sales, SG&A was 12.3% in the fiscal year 2022 compared to 14.2% of net sales in the prior fiscal year. The decrease of 190-bps is primarily due to a decrease of 170-bps due to leverage on year-over-year sales growth and a decrease of 100-bps due to lower incentive compensation and offset by an increase of 80-bps due to growth investments.

Restructuring expenses were \$0.7 million during the year ended June 30, 2022, primarily for ongoing costs associated with our facilities listed as held for sale, professional fees, and former employee expenses as part of our previously announced comprehensive restructuring plan. See Note 5, *Restructuring*, of the Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for more information.

During the year ended June 30, 2022, we completed the sale of our remaining Harrison, Arkansas facility, resulting in total net proceeds of \$1.4 million, and a total gain of \$1.4 million.

Income tax expense was \$4.1 million, or an effective rate of 68.6%, during the year ended June 30, 2022, compared to income tax expense of \$8.4 million in the prior year, or an effective tax rate of 26.8%. The effective tax rate is primarily impacted by changes in our deferred tax assets for which we do not receive the income tax benefit due to our full valuation allowance. See Note 10, *Income Taxes*, of the Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for more information.

Net income was \$1.9 million, or \$0.28 per diluted share for the year ended June 30, 2022, compared to net income of \$23.0 million, or \$3.09 per diluted share in the prior year.

Liquidity and Capital Resources

Working capital (current assets less current liabilities) on June 30, 2023, was \$115.5 million compared to \$125.4 million on June 30, 2022. The \$9.9 million decrease in working capital was due to a decrease in inventory of \$19.1 million and a decrease of \$2.9 million in trade receivables offset by a decrease in accounts payable of \$7.4 million, a decrease in other liabilities of \$2.1 million, an increase of other current assets of \$1.5 million, and an increase in cash of \$1.2 million. Capital expenditures were \$4.8 million for the fiscal year ended June 30, 2023.

A summary of operating, investing, and financing cash flow is shown in the following table:

<i>(in thousands)</i>	For the years ended June 30,	
	2023	2022
Net cash provided by operating activities	\$ 22,989	\$ 7,993
Net cash (used in) investing activities	(4,450)	(1,916)
Net cash (used in) financing activities	(17,358)	(5,235)
Increase in cash and cash equivalents	\$ 1,181	\$ 842

Net cash provided by operating activities

For the year ended June 30, 2023, cash provided by operating activities was \$23.0 million, which primarily consisted of net income of \$14.8 million, adjusted for non-cash items including depreciation of \$4.6 million and stock-based compensation of \$3.2 million, offset by \$7.2 million in deferred income taxes, accounts receivable allowance recoveries of \$0.4 million, and gain from the sale of capital assets of \$0.3 million. The \$7.2 million change in deferred income taxes primarily relates to the release of our valuation allowance on deferred tax assets. Net cash provided by operating assets and liabilities was \$8.3 million and was primarily due to a decrease in inventory of \$19.1 million due to fewer purchases intended to reduce inventory, a decrease in accounts receivable of \$3.3 million due to lower net sales, offset by a decrease in accounts payable of \$7.3 million due to lower inventory purchases, a decrease in other assets of \$5.3 million, and a decrease in other liabilities of \$1.5 million.

For the year ended June 30, 2022, cash provided by operating activities was \$8.0 million, which primarily consisted of net income of \$1.9 million, adjusted for non-cash items including depreciation of \$5.2 million, gain from the sale of capital assets of \$1.8 million, stock-based compensation of \$1.0 million and allowance reserve recoveries of \$0.3 million. Net cash provided by operating assets and liabilities was \$2.0 million and was primarily due to a decrease in accounts payable of \$35.8 million due to a decrease in inventory of \$19.9 million due to fewer purchases intended to reduce inventory, a decrease in accounts receivable of \$15.1 million primarily due to the timing of sales and collections, a decrease in other current assets of \$4.0 million and a decrease in other liabilities of \$1.2 million.

Net cash (used in) investing activities

For the year ended June 30, 2023, net cash used in investing activities was \$4.5 million, primarily due to capital expenditures of \$4.8 million partially offset by proceeds of \$0.3 million from the sale of capital assets.

For the year ended June 30, 2022, net cash used in investing activities was \$1.9 million, primarily due to capital expenditures of \$3.8 million partially offset by proceeds of \$1.9 million from the sale of our Harrison, Arkansas, facility, and the finalization of the sale of our transportation fleet equipment.

Net cash (used in) financing activities

For the year ended June 30, 2023, net cash used in financing activities was \$17.4 million, primarily due to proceeds from lines of credit of \$363.8 million, offset by payments on lines of credit of \$373.3 million, \$3.7 million for treasury stock purchases, dividends paid of \$3.2 million, and \$1.0 million for tax payments on employee vested restricted shares netted with proceeds from the issuance of common stock.

For the year ended June 30, 2022, net cash used in financing activities was \$5.2 million, primarily due to proceeds from lines of credit of \$265.1 million, offset by payments on lines of credit of \$230.9 million, \$35.0 million for treasury stock purchases, dividends paid of \$3.9 million, and \$0.5 million for tax payments on employee vested restricted shares netted with proceeds from the issuance of common stock.

Financing Arrangements

Line of Credit

On August 28, 2020, the Company entered a two-year secured \$25.0 million revolving line of credit with Dubuque Bank and Trust Company, with an interest rate of 1.50% plus LIBOR, subject to a floor of 3.00%. The revolving line of credit was secured by essentially all the Company's assets, excluding real property, and required the Company to maintain compliance with certain financial and non-financial covenants. This line of credit was subsequently canceled in the first quarter of the fiscal year 2022.

On September 8, 2021, the Company, as the borrower, entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Lender"), and the other lenders party thereto. The Credit Agreement has a five-year term and provides for up to an \$85 million revolving line of credit. Subject to certain conditions, the Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to \$5 million which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to Dubuque Bank and Trust and for working capital purposes. The Company's obligations under the Credit Agreement are secured by substantially all its assets, excluding real property. The Credit Agreement contains customary representations, warranties, and covenants, including a financial covenant to maintain a fixed coverage ratio of not less than 1.00 to 1.00. In addition, the Loan Agreement places restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities.

On April 18, 2022, the Company, as the borrower, entered a first amendment to the September 8, 2021, Credit Agreement ("First Amendment to the Credit Agreement"), with the Lender, and the lenders party thereto. The first amendment to the Credit Agreement changed the definition of the term "Payment Conditions" and further defines default or event of default and the calculation of the Fixed Charge Coverage Ratio.

Subject to certain conditions, borrowings under the Credit Agreement initially bore interest at LIBOR plus 1.25% or 1.50% per annum. On May 24, 2023, the Company entered into a second amendment to the Credit Agreement ("Second Amendment to the Credit Agreement") with the lender to transition the applicable interest rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). Effective as of the date of the Second Amendment to the Credit Agreement, borrowings under the amended Credit Agreement bear interest at SOFR plus 1.36% to 1.61% or an effective interest rate of 6.42% on June 30, 2023.

As of June 30, 2023, there was \$28.3 million outstanding under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding at the Lender as of June 30, 2023, totaled \$1.1 million

See Note 9 *Credit Arrangements* of Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Contractual Obligations

The following table summarizes our contractual obligations on June 30, 2023, and the effect these obligations are expected to have on our liquidity and cash flow in the future (in thousands):

	Total	1 Year	2-3 Years	4-5 Years	More than 5 Years
Operating lease obligations	\$ 82,746	\$ 9,391	\$ 18,233	\$ 18,082	\$ 37,040
Warehouse management obligation	4,915	1,512	3,025	378	—

Outlook

Our focus for fiscal 2024 will be to remain financially agile with strong liquidity, continue building our foundation for profitable long-term growth in both retail and e-commerce sales channels, build global supply chain resiliency, expand sourcing, manufacturing, and distribution capacity to support future growth, strengthen digital capabilities, reimagine the customer experience, and build strong culture and talent.

Critical Accounting Policies

The discussion and analysis of our consolidated financial statements and results of operations are based on consolidated financial statements prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. Preparation of these consolidated financial statements requires the use of estimates and judgments that affect the reported results. We use estimates based on the best information available in recording transactions and balances resulting from business operations. Estimates are used for such items as the collectability of trade accounts receivable and inventory valuation. Ultimate results may differ from these estimates under different assumptions or conditions.

Allowance for Credit Losses – We establish an allowance for credit losses to reduce trade accounts receivable to an amount that reasonably approximates their net realizable value. Our accounts receivable allowance consists of an allowance for expected credit losses which is established through a review of open accounts, historical collection, and historical write-off amounts. The amount ultimately realized from trade accounts receivable may differ from the amount estimated in the consolidated financial statements.

Inventories – We value inventory at the lower of cost or net realizable value. Our inventory valuation reflects markdowns for the excess of the cost over the amount expected to be realized and considers obsolete and excess inventory. Markdowns establish a new cost basis for the Company's inventory. Subsequent changes in facts or circumstances do not result in the reversal of previously recorded markdowns or an increase in that newly established cost basis.

Valuation of Long-Lived Assets – We periodically review the carrying value of long-lived assets and estimated depreciable or amortizable lives for continued appropriateness. This review is based upon projections of anticipated future cash flows and is performed whenever events or changes in circumstances indicate that asset carrying values may not be recoverable or that the estimated depreciable or amortizable lives may have changed. For assets held for sale, if the net book value of the asset is greater than its estimated fair value less cost to sell, an impairment is recorded for the excess of net book value over the estimated fair value less cost to sell. We recorded no impairments in the fiscal years 2023 and 2022.

Restructuring Costs – The Company groups exit or disposal cost obligations into three categories: Involuntary employee termination benefits, costs to terminate contracts, and other associated costs. Involuntary employee termination benefits must be a one-time benefit, and this element of restructuring cost is recognized as incurred upon communication of the plan to the identified employees. Costs to terminate contracts are recognized upon termination agreement with the provider. Other associated restructuring costs are expensed as incurred. Any inventory impairment costs as a result of restructuring activities are accounted for as costs of goods sold.

Income Taxes - In determining taxable income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in the most recent years, and our forecast of future taxable income. In estimating future taxable income, we develop assumptions including the amount of future pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

At June 30, 2023 the Company determined that based on the weight of available evidence, we will be able to recover our deferred tax assets and reversed our deferred tax valuation allowance. The realization of our remaining deferred tax assets is primarily dependent on future taxable income in the appropriate jurisdiction. Any reduction in future taxable income including but not limited to any future restructuring activities may require that we re-establish a valuation allowance against our deferred tax assets. Establishing a valuation allowance or an increase in the valuation allowance could result in additional income tax expense in such a period and could have a significant impact on our future earnings. Refer to Note 10 *Income Taxes* of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

General – Market risk represents the risk of changes in the value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. As discussed below, management of the Company does not believe that changes in these factors could cause material fluctuations in the Company’s results of operations or cash flows. The ability to import furniture products can be adversely affected by political issues in the countries where suppliers are located, as well as disruptions associated with shipping distances and negotiations with port employees. Other risks related to furniture product importation include government imposition of regulations and/or quotas; duties, taxes or tariffs on imports; and significant fluctuation in the value of the U.S. dollar against foreign currencies. Any of these factors could interrupt supply, increase costs, and decrease earnings.

Foreign Currency Risk – During fiscal years 2023, 2022, and 2021, the Company did not have sales but had purchases and other expenses denominated in foreign currencies, primarily the Mexican Peso. The wages of our employees and certain other employee benefit and indirect costs related to our operations in Mexico are made in Pesos and subject to foreign currency fluctuation with the U.S. dollar. The Company does not employ any foreign currency hedges against this exposure. A negative shift in the value of the U.S. dollar against the Peso could increase the cost of our manufactured product. See “Risk Factors” in Item 1A in this Annual Report on Form 10-K for further discussion.

Interest Rate Risk – The Company’s primary market risk exposure regarding financial instruments is changes in interest rates. On June 30, 2023, the Company had \$28.3 million outstanding on its line of credit.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Flexsteel Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Flexsteel Industries, Inc. and subsidiaries (the "Company") as of June 30, 2023 and 2022, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended June 30, 2023, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 25, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Inventories— Refer to Notes 1 and 3 to the financial statements

Critical Audit Matter Description

The Company has inventories of \$122.1 million as of June 30, 2023. The Company records inventories at the lower of cost or net realizable value utilizing the first-in, first-out ("FIFO") method. The Company's inventory valuation reflects markdowns for the excess of the cost over the amount expected to be realized. Markdowns establish a new cost basis for the Company's inventories. Subsequent changes in facts or circumstances do not result in the reversal of previously recorded markdowns or an increase in that newly established cost basis.

Given the quantitative and qualitative materiality of the balance, coupled with the judgments and subjectivity involved to estimate the markdowns to the net realizable value of inventories, auditing management's estimates of net realizable value required subjective auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to estimated net realizable value of inventories included the following, among others:

We tested the design and operating effectiveness of internal controls over the inventory valuation process, including controls over the inputs that are used in management's inventory markdown for the excess of the cost over the amount expected to be realized.

We tested management's process to determine the inventory markdowns and net realizable value of inventory through inquiries of management, and evaluation of accounting policies and process documentation.

We tested the accuracy and completeness of the Company's measurement of inventory markdowns using a sampling approach. We evaluated the appropriateness of methodologies and assumptions used by management to estimate inventory markdowns including inventory quantities on-hand, historical sales activity, and other assumptions used by management.

We evaluated management's measurement of the inventory markdowns and net realizable value by testing the mathematical accuracy of the Company's calculation.

We performed retrospective reviews of actual products sold in the current year against prior year inventory markdowns to net realizable value.

/s/ Deloitte & Touche LLP

Minneapolis, MN

August 25, 2023

We have served as the Company's auditor since 1965.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Flexsteel Industries, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Flexsteel Industries, Inc. and subsidiaries (the "Company") as of June 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended June 30, 2023, of the Company and our report dated August 25, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Minneapolis, MN

August 25, 2023

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	June 30,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,365	\$ 2,184
Trade receivables - less allowances: 2023, \$2,600; 2022, \$2,980	38,168	41,106
Inventories	122,076	141,212
Other	6,417	4,950
Assets held for sale	616	616
Total current assets	170,642	190,068
NONCURRENT ASSETS:		
Property, plant and equipment, net	38,652	38,543
Operating lease right-of-use assets	68,294	38,189
Deferred income taxes	7,154	—
Other assets	5,808	1,941
TOTAL	\$ 290,550	\$ 268,741
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 24,745	\$ 32,147
Current portion of operating lease liabilities	7,179	6,361
Accrued liabilities:		
Payroll and related items	9,955	6,385
Insurance	1,920	2,158
Restructuring costs	—	1,290
Advertising	5,358	4,052
Environmental remediation	—	3,570
Other	5,948	8,664
Total current liabilities	55,105	64,627
LONG-TERM LIABILITIES:		
Operating lease liabilities, less current maturities	64,974	33,992
Line of credit	28,273	37,739
Other liabilities	577	823
Total liabilities	148,929	137,181
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS' EQUITY:		
Common stock - \$1 par value; authorized 15,000 shares; 8,292 shares issued and 5,174 shares outstanding as of June 30, 2023, and 8,190 shares issued and 5,300 shares outstanding as of June 30, 2022	8,292	8,190
Additional paid-in capital	36,605	34,467
Treasury stock, at cost; 3,118 shares and 2,890 shares as of June 30, 2023 and 2022, respectively	(70,072)	(66,372)
Retained earnings	166,796	155,275
Total shareholders' equity	141,621	131,560
TOTAL	\$ 290,550	\$ 268,741

See accompanying Notes to Consolidated Financial Statements.

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Amounts in thousands, except per share data)

	For the years ended June 30,		
	2023	2022	2021
Net sales	\$ 393,692	\$ 544,282	\$ 478,925
Cost of goods sold	322,745	471,602	382,195
Gross margin	70,947	72,680	96,730
Selling, general and administrative	62,846	66,733	67,977
Restructuring expense	—	730	3,422
Environmental remediation	(2,788)	—	—
(Gain) on disposal of assets	—	(1,400)	(5,881)
Other expense	347	—	—
Litigation settlement costs	—	—	12
Operating income	10,542	6,617	31,200
Other income (expense):			
Other income	18	121	277
Interest (expense)	(1,341)	(835)	(10)
Total other (expense) income	(1,323)	(714)	267
Income before income taxes	9,219	5,903	31,467
Income tax (benefit) expense	(5,559)	4,050	8,419
Net income	\$ 14,778	\$ 1,853	\$ 23,048
Weighted average number of common shares outstanding:			
Basic	5,225	6,329	7,200
Diluted	5,385	6,503	7,468
Earnings per share of common stock			
Basic	\$ 2.83	\$ 0.29	\$ 3.20
Diluted	\$ 2.74	\$ 0.28	\$ 3.09

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands)

	Total Par Value of Common Shares (\$1 Par)	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance at June 30, 2020	\$ 8,008	\$ 31,748	\$ (1,563)	\$ 137,312	\$ 175,505
Issuance of common stock:					
Stock options exercised, net	13	(30)	—	—	(17)
Long-term incentive compensation	—	2,321	—	—	2,321
Stock-based compensation	112	(24)	—	—	88
Treasury stock purchases	—	—	(29,757)	—	(29,757)
Cash dividends declared	—	—	—	(3,220)	(3,220)
Net income	—	—	—	23,048	23,048
Balance at June 30, 2021	\$ 8,133	\$ 34,015	\$ (31,320)	\$ 157,140	\$ 167,968
Issuance of common stock:					
Stock options exercised, net	7	110	—	—	117
Long-term incentive compensation	—	51	—	—	51
Stock-based compensation	50	291	—	—	341
Treasury stock purchases	—	—	(35,052)	—	(35,052)
Cash dividends declared	—	—	—	(3,718)	(3,718)
Net income	—	—	—	1,853	1,853
Balance at June 30, 2022	\$ 8,190	\$ 34,467	\$ (66,372)	\$ 155,275	\$ 131,560
Issuance of common stock:					
Long-term incentive compensation	—	1,813	—	—	1,813
Stock-based compensation	102	325	—	—	427
Treasury stock purchases	—	—	(3,700)	—	(3,700)
Cash dividends declared	—	—	—	(3,257)	(3,257)
Net income	—	—	—	14,778	14,778
Balance at June 30, 2023	\$ 8,292	\$ 36,605	\$ (70,072)	\$ 166,796	\$ 141,621

Cash dividends declared per common share were \$0.60, \$0.60, and \$0.45 for the fiscal years ended June 30, 2023, 2022, and 2021, respectively.

See accompanying Notes to Consolidated Financial Statements.

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the years ended June 30,		
	2023	2022	2021
OPERATING ACTIVITIES:			
Net income	\$ 14,778	\$ 1,853	\$ 23,048
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	4,572	5,171	5,210
Deferred income taxes	(7,154)	—	2,111
Stock-based compensation expense	3,191	1,020	3,738
Changes in (recoveries) provision for losses on accounts receivable	(380)	(260)	1,470
Change in reserve for VAT receivable	—	—	(237)
(Gain) on disposition of capital assets	(313)	(1,782)	(5,948)
Changes in operating assets and liabilities:			
Trade receivables	3,318	15,140	(25,239)
Inventories	19,136	19,913	(90,560)
Other current assets	(1,467)	4,470	9,351
Other assets	(3,865)	(542)	(90)
Accounts payable - trade	(7,320)	(35,809)	39,893
Accrued liabilities	(1,270)	(769)	3,957
Other long-term liabilities	(237)	(412)	604
Net cash provided by (used in) operating activities	<u>22,989</u>	<u>7,993</u>	<u>(32,692)</u>
INVESTING ACTIVITIES:			
Purchases of investments	—	—	(47)
Proceeds from sale of investments	—	—	46
Proceeds from sale of capital assets	340	1,937	18,643
Capital expenditures	(4,790)	(3,853)	(2,580)
Net cash (used in) provided by investing activities	<u>(4,450)</u>	<u>(1,916)</u>	<u>16,062</u>
FINANCING ACTIVITIES:			
Dividends paid	(3,241)	(3,911)	(2,622)
Treasury stock purchases	(3,700)	(35,052)	(29,757)
Proceeds from lines of credit	363,805	265,093	8,500
Payments on lines of credit	(373,271)	(230,854)	(5,000)
Proceeds from issuance of common stock	—	117	94
Shares withheld for tax payments on vested shares and options exercised	(951)	(628)	(1,440)
Net cash (used in) financing activities	<u>(17,358)</u>	<u>(5,235)</u>	<u>(30,225)</u>
Increase (decrease) in cash and cash equivalents	1,181	842	(46,855)
Cash and cash equivalents at beginning of year	2,184	1,342	48,197
Cash and cash equivalents at end of year	<u>\$ 3,365</u>	<u>\$ 2,184</u>	<u>\$ 1,342</u>
SUPPLEMENTAL INFORMATION			
Right-of-use assets exchanged for lease liabilities	\$ 38,775	\$ 16,814	\$ 22,770
Interest paid	\$ 1,069	\$ 743	\$ 10
Income taxes (refunded)	\$ 4,104	\$ (823)	\$ (5,556)
Capital expenditures in accounts payable	\$ 311	\$ 183	\$ 133

See accompanying Notes to Consolidated Financial Statements.

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS – Flexsteel Industries, Inc., and Subsidiaries (the “Company” or “Flexsteel” or “Our”) is one of the largest manufacturers, importers, and marketers of furniture products in the United States. Product offerings include a wide variety of furniture such as sofas, loveseats, chairs, reclining rocking chairs, swivel rockers, sofa beds, convertible bedding units, occasional tables, desks, dining tables and chairs, kitchen storage, bedroom furniture, and outdoor furniture. A featured component in most of the upholstered furniture is a unique steel drop-in seat spring from which the name “Flexsteel” is derived. The Company distributes its products throughout the United States through its e-commerce channel and dealer sales force.

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of Flexsteel Industries, Inc. and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company’s consolidated financial statements and results of operations are based on consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America.

USE OF ESTIMATES – The preparation of consolidated financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Ultimate results could differ from those estimates.

FAIR VALUE – The Company’s cash and cash equivalents, investments, accounts receivable, other current assets, accounts payable and certain accrued liabilities are carried at amounts which reasonably approximate their fair value due to their short-term nature. GAAP on fair value measurement for certain financial assets and liabilities require that each asset and liability carried at fair value be classified into one of the following categories: Level 1: Quoted market prices in active markets for identical assets and liabilities; Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data; or Level 3: Unobservable inputs that are not corroborated by market data. The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

ALLOWANCE FOR CREDIT LOSSES – The Company establishes an allowance for credit losses to reduce trade accounts receivable to an amount that reasonably approximates their net realizable value. The Company’s allowance for credit losses is established through review of open accounts, historical collection, and historical write-off amounts. The amount ultimately realized from trade accounts receivable may differ from the amount estimated in the consolidated financial statements.

INVENTORIES – Inventories are stated at the lower of cost or net realizable value utilizing the first-in - first-out (“FIFO”) method. Our inventory valuation reflects markdowns for the excess of the cost over the amount expected to be realized and considers obsolete and excess inventory. Markdowns establish a new cost basis for the Company’s inventory. Subsequent changes in facts or circumstances do not result in the reversal of previously recorded markdowns or an increase in that newly established cost basis.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

VALUATION OF LONG-LIVED ASSETS – The Company periodically reviews the carrying value of long-lived assets and estimated depreciable or amortizable lives for continued appropriateness. This review is based upon projections of anticipated future cash flows and is performed whenever events or changes in circumstances indicate that asset carrying values may not be recoverable or that the estimated depreciable or amortizable lives may have changed. For assets held for sale, if the net book value of the asset is greater than its estimated fair value less cost to sell, an impairment is recorded for the excess of net book value over estimated fair value less cost to sell.

ASSETS HELD FOR SALE – Assets held for sale represent land, buildings, machinery and equipment for locations that have met the criteria of “held for sale” accounting, as specified by Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment.” Once an asset is classified as held for sale, the Company ceases depreciating the asset. The assets held for sale are being marketed for sale and it is the Company’s intention to complete the sale of the assets within the upcoming year.

RESTRUCTURING COSTS - The Company groups exit or disposal cost obligations into three categories: Involuntary employee termination benefits, costs to terminate contracts, and other associated costs. Involuntary employee termination benefits must be a one-time benefit, and this element of restructuring cost is recognized as incurred upon communication of the plan to the identified employees. Costs to terminate contracts are recognized upon termination agreement with the provider. Other associated restructuring costs are expensed as incurred. Any inventory impairment costs as a result of restructuring activities are accounted for as cost of goods sold.

LEASES – The Company accounts for its leases in accordance with Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842) (“ASC 842”). ASC 842 requires lessees to (i) recognize a right of use asset (“ROU asset”) and a lease liability that is measured at the present value of the remaining lease payments, on the consolidated balance sheets, (ii) recognize a single lease cost, calculated over the lease term on a straight-line basis and (iii) classify lease related cash payments within operating and financing activities. The Company has made an accounting policy election to not recognize short-term leases on the consolidated balance sheets and all non-lease components, such as common area maintenance, were excluded. See Note 2, *Leases*, for the Company’s lease disclosures.

WARRANTY – The Company estimates the amount of warranty claims on sold product that may be incurred based on current and historical data. The actual warranty expense could differ from the estimates made by the Company based on product performance.

REVENUE RECOGNITION – Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. We generate revenue primarily by manufacturing and delivering furniture products to independent furniture retailers in the United States. Each unit of furniture is a separate performance obligation. We satisfy our performance obligations when control of our product is passed to our customer, which is the point in time that our customers are able to direct the use of and obtain substantially all of the remaining economic benefit of the goods or services. Net sales consist of product sales and outbound shipping and handling charges for customer deliveries, net of adjustments for returns and allowances. Shipping and handling costs are included in cost of goods sold.

The Company’s revenues result from the sale of goods and reflect the consideration to which the Company expects to be entitled. Revenue is reduced by appropriate allowances, estimated returns, price concessions, or similar adjustments as applicable. The Company records revenue based on a five-step model in accordance with ASC 2014-09, *Revenue from Contracts with Customers (Topic 606)*. For its customer contracts, typically purchase orders, the Company identifies the performance obligations (goods), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when the performance obligation is transferred to the customer. A good is transferred when the customer obtains control of that good and risk of loss transfers at a point in time.

Provisions for customer volume rebates, product returns, discounts, and allowances are variable considerations and are recorded as a reduction of revenue in the same period the related sales are recorded. Such provisions are calculated based upon historical data and discount percentages, set with each customer. Consideration given to customers for cooperative advertising is recognized as a reduction of revenue except to the extent there is a distinct good or service and evidence of the fair value of the advertising, in which case the expense is classified as selling, general and administrative expense (SG&A).

The Company has a limited lifetime warranty on all products. The Company does not offer the option to purchase warranties. The Company accounts for warranties under ASC 460, *Guarantees*, and not as variable consideration related to revenue.

Occasionally, the Company receives deposits from customers before it has transferred control of the product to customers, resulting in contract liabilities. These contract liabilities are reported within “Accounts payable - trade” in the consolidated balance sheets. As of June 30, 2023, the Company had \$0.07 million of customer deposits. As of June 30, 2022, the Company had \$0.09 million of customer deposits.

The Company follows the following practical expedients and policy elections:

The Company does not adjust contract prices for the effects of a significant financing component, as it expects the period when the goods or services are transferred to the customer and when the customer pays for those goods and services to be less than a year.

Costs for outbound shipping and handling activities that occur after the product is received in the Company’s distribution centers, but before the customer obtains control of the product are accounted for as fulfillment activities.

Accordingly, these expenses are recorded at the same time the Company recognizes revenue. Inbound shipping and handling activities incurred to transport product to the Company’s distribution centers is expensed when the product is received by the Company, unless there are revenue surcharges to recover such costs, in which case these expenses are recorded at the same time the Company recognizes revenue.

Incremental costs of obtaining a contract, specifically commissions, are recorded as an SG&A expense when incurred.

All taxes imposed on and concurrent with revenue-producing transactions and collected by the Company from a customer, including sales, use, excise, and franchise taxes are excluded from the measurement of the transaction price.

The following table disaggregates the Company's net sales by product category:

(in thousands)	For the years ended June 30,		
	2023	2022	2021
Residential	\$ 393,692	\$ 543,447	\$ 476,519
Contract	—	835	2,406
	<u>\$ 393,692</u>	<u>\$ 544,282</u>	<u>\$ 478,925</u>

ADVERTISING COSTS – are charged to selling, general and administrative expenses in the periods incurred. The Company conducts no direct-response advertising programs and there are no assets related to advertising recorded on the consolidated balance sheets. Advertising expenditures, primarily shared customer advertising in which an identifiable benefit is received and national trade-advertising programs, were approximately \$5.1 million, \$5.8 million, and \$3.9 million in fiscal years 2023, 2022, and 2021, respectively.

DESIGN, RESEARCH, AND DEVELOPMENT COSTS – are charged to selling, general and administrative expenses in the periods incurred. Expenditures for design, research, and development costs were approximately \$2.1 million, \$2.9 million, and \$1.9 million in fiscal years 2023, 2022, and 2021, respectively.

INSURANCE – The Company is self-insured for health care and most workers' compensation up to predetermined amounts above which third-party insurance applies. The Company purchases specific stop-loss insurance for individual health care claims in excess of \$175,000 per plan year. For workers' compensation, the Company retains the first \$250,000 per claim and purchases excess coverage up to the statutory limits for amounts in excess of the retention limit. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience. The Company records these insurance accruals within "Accrued liabilities – insurance" on the consolidated balance sheets.

INCOME TAXES – The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company recognizes in its financial statements the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. In December 2019, the FASB issued ASU 2019-12 "Income Taxes Simplifying the Accounting for Income Taxes (Topic 740)" as part of its initiative to reduce complexity in the accounting standards. The amendments in ASU 2019-12 eliminate certain exceptions related to the approach for interim period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences.

EARNINGS PER SHARE (EPS) – Basic EPS of common stock is based on the weighted-average number of common shares outstanding during each fiscal year. Diluted EPS of common stock includes the dilutive effect of potential common shares outstanding. The Company's potential common shares outstanding are stock options, shares associated with the long-term management incentive compensation plan and non-vested restricted shares. The Company calculates the dilutive effect of outstanding options using the treasury stock method; all options are anti-dilutive when there is a loss. Anti-dilutive shares are not included in the computation of diluted EPS when their exercise price was greater than the average closing market price of the common shares. The Company calculates the dilutive effect of shares related to the long-term management incentive compensation plan and non-vested shares based on the number of shares, if any, that would be issuable if the end of the fiscal year were the end of the contingency period. In computing EPS, net income as reported for each respective period is divided by the fully diluted weighted average number of shares outstanding:

(in thousands)	June 30,		
	2023	2022	2021
Basic shares	5,225	6,329	7,200
Potential common shares:			
Stock options	62	113	151
Long-term incentive plan	98	61	117
	<u>160</u>	<u>174</u>	<u>268</u>
Diluted shares	<u>5,385</u>	<u>6,503</u>	<u>7,468</u>
Anti-dilutive shares	<u>161</u>	<u>67</u>	<u>671</u>

STOCK-BASED COMPENSATION – The Company recognizes compensation expense related to the cost of employee services received in exchange for Company equity interests based on the award's fair value at the date of grant. The Company recognizes long-term incentive compensation plan expenses during the three-year performance periods; stock awards are issued following the end of the

performance periods and are subject to verification of results and the Compensation Committee of the Board of Directors approval. See Note 11, *Stock-Based Compensation*.

SEGMENT REPORTING – The Company operates in one reportable segment, furniture products. The Company’s operations involve the distribution of manufactured and imported furniture for residential and contract markets. The Company’s furniture products are sold primarily throughout the United States and Canada by the Company’s internal sales force and various independent representatives. The Company makes minimal export sales. No single customer accounted for more than 10% of net sales.

TREASURY STOCK – Treasury stock purchases are stated at cost and presented as a reduction of equity on the consolidated balance sheets. On June 1, 2020, the Company’s Board of Directors authorized a \$6 million share repurchase program through June 9, 2021. On August 20, 2020, the Company’s Board of Directors authorized an additional \$8 million share repurchase program to begin on September 4, 2020, through September 3, 2021. On October 22, 2020, the Company’s Board of Directors authorized another \$30 million share repurchase program through October 29, 2023. On January 20, 2022, the Board of Directors approved a new repurchase program authorizing the Company to purchase up to an additional \$30 million of the Company’s common stock through January 19, 2025. As of October 31, 2020, the \$6 million and \$8 million repurchase programs were completed. The Company completed the share repurchases of the October 22, 2020 plan in February 2022. As of June 30, 2023, the Company has purchased a total of 3,117,930 shares at a cost of \$70.1 million under the four programs and has \$3.8 million remaining in the January 2022, \$30 million share repurchase program.

2. LEASES

The Company accounts for its leases in accordance with ASU No. 2016-02, *Leases (Topic 842)* (“ASC 842”). ASC 842 requires lessees to (i) recognize a right of use asset (“ROU asset”) and a lease liability that is measured at the present value of the remaining lease payments, on the consolidated balance sheets, (ii) recognize a single lease cost, calculated over the lease term on a straight-line basis and (iii) classify lease related cash payments within operating and financing activities. The Company has made an accounting policy election to not recognize short-term leases on the consolidated balance sheets and all non-lease components, such as common area maintenance, were excluded. At any given time during the lease term, the lease liability represents the present value of the remaining lease payments, and the ROU asset is measured as the amount of the lease liability, adjusted for pre-paid rent, unamortized initial direct costs and the remaining balance of lease incentives received. Both the lease ROU asset and liability are reduced to zero at the end of the lease term.

The Company leases distribution centers and warehouses, manufacturing facilities, showrooms, and office space. At the lease inception date, the Company determines if an arrangement is, or contains a lease. Some of the Company’s leases include options to renew at similar terms. The Company assesses these options to determine if the Company is reasonably certain of exercising these options based on relevant economic and financial factors. Options that meet these criteria are included in the lease term at the lease commencement date.

For purposes of measuring the Company’s ROU asset and lease liability, the discount rate utilized by the Company was based on the average interest rates effective for the Company’s line of credit. Some of the Company’s leases contain variable rent payments, including common area maintenance and utilities. Due to the variable nature of these costs, they are not included in the measurement of the ROU asset and lease liability.

On August 20, 2021, Flexsteel entered into a lease agreement for the construction of a 507,830 square foot manufacturing facility in Mexicali, Mexico. The lease commencement date under ASC 842 guidance was on July 1, 2022, the date the lessor made the building available for use by the Company for purposes of completing any leasehold improvements required by the Company prior to beginning operations. The 12-year lease ends on June 30, 2034, with options for two five-year extensions. Annual base rent under the lease is \$3.2 million plus taxes, insurance, and common area maintenance costs. As of June 30, 2023, the Company has not begun operations in the Mexicali facility. On May 3rd, 2023 the Company entered into a sublease with a third party for 105,000 square feet of the Mexicali with a term of 12 months. Annual rent under the sublease is \$1 million, plus a proportionate share of taxes, insurance and common areas maintenance. The Company also expects to sublease substantially all of the remaining portions of the facility until the capacity is required.

At June 30, 2023 the Company determined that no impairment indicators exist with regard to the Mexicali lease given the current and expected sublease tenants and plans for future operations in the facility. At June 30, 2023 the right of use asset associated specifically with the Mexicali lease is \$32.4 million and associated lease liability is \$33.7 million. Sublease income received from the sub-tenant is offset against operating lease expense in the Company’s consolidated statements of income.

The components of the Company's leases reflected on the Company's consolidated statements of income were as follows:

<i>(in thousands)</i>	June 30, 2023		June 30, 2022	
Operating lease expense	\$	10,814	\$	6,804
Variable lease expense		1,799		1,069
Total lease expense	\$	12,613	\$	7,873

Other information related to leases and future minimum lease payments under non-cancellable operating leases as were as follows:

Fiscal year	June 30, 2023		June 30, 2022	
<i>(in thousands)</i>				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$	9,119	\$	6,612
Right-of-use assets obtained in exchange for lease liabilities:				
Operating leases	\$	38,775	\$	16,814
Weighted-average remaining lease term (in years):				
Operating leases		9.1		5.2
Weighted-average discount rate:				
Operating leases		2.9%		3.2%

Fiscal year	June 30, 2023	
<i>(in thousands)</i>		
Payments in FY2024	\$	9,391
FY2025		9,225
FY2026		9,008
FY2027		9,073
FY2028		9,009
Thereafter		37,040
Total future minimum lease payments	\$	82,746
Less imputed interest		10,593
Lease liability	\$	72,153

3. INVENTORIES

A comparison of inventories is as follows:

<i>(in thousands)</i>	June 30,			
	2023		2022	
Raw materials	\$	18,616	\$	16,405
Work in process and finished parts		3,741		5,534
Finished goods		99,719		119,273
Total	\$	122,076	\$	141,212

4. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	Estimated Life (Years)	June 30,		
		2023	2022	2021
Land		\$ 3,457	\$ 3,457	\$ 3,457
Buildings and improvements	5-39	49,131	49,114	49,114
Machinery and equipment	3-7	19,824	17,684	17,684
Delivery equipment	3-5	2,962	2,979	2,979
Furniture and fixtures	3-7	3,558	3,599	3,599
Computer software and hardware	3-7	8,919	8,717	8,717
Construction in progress		4,231	3,023	3,023
Total		92,082	88,573	88,573
Less accumulated depreciation		(53,430)	(50,030)	(50,030)
Net		\$ 38,652	\$ 38,543	\$ 38,543

The Company recognized no impairment charges for fiscal years 2023, 2022, and 2021.

5. RESTRUCTURING

On May 15, 2019, the Company announced its plans to exit the Commercial Office and custom-designed Hospitality product lines. These changes were initial outcomes driven by customer and product line profitability and footprint utilization analyses in the fourth quarter of fiscal 2019.

On June 18, 2019, the Company announced that it completed the analysis and the planning process and set forth the comprehensive transformation program to be executed over a two-year period, which included previously announced restructuring activities on May 15, 2019. The transformation program included activities such as business simplification, process improvement, exiting of non-core businesses, facility closures, and reductions in the workforce. The Company has completed the portion of the restructuring activities related to the exit of the Commercial Office and custom-designed Hospitality product lines.

On April 28, 2020, the Company announced that it will exit the Vehicle Seating and the remainder of the Hospitality product lines, and subsequently closed its Dubuque, Iowa and Starkville, Mississippi manufacturing facilities. The remaining properties listed for sale as part of the footprint optimization are included in Note 6, *Assets Held for Sale*. The Company completed all the restructuring activities related to the exit of the Vehicle Seating and the remainder of the Hospitality product lines during fiscal 2021.

As a result of these planned actions, which were complete as of the fiscal year ended June 30, 2022, the Company had planned to incur pre-tax restructuring and related expenses of approximately \$60 million over this two-year timeframe. Total cumulative restructuring and related costs incurred as of June 30, 2022, were \$59.4 million. There were no costs related to the restructuring activities in the fiscal year ended June 30, 2023.

The following is a summary of restructuring costs:

(in thousands)	For the years ended June 30,		
	2023	2022	2021
Inventory impairment	\$ —	\$ —	\$ 45
One-time employee termination benefits	—	(211)	433
Other associated costs	—	941	2,989
Total restructuring and related expenses	\$ —	\$ 730	\$ 3,467
Reported as:			
Cost of goods sold	\$ —	\$ —	\$ 45
Operating expenses	\$ —	\$ 730	\$ 3,422

One-time employee termination benefits include costs for employee separation benefits. During the year ended June 30, 2022, the Company recorded a decrease in a pension plan liability that resulted in an expense reduction of \$0.2 million and recorded a net settlement agreement of \$0.4 million. Other associated costs include legal and professional fees, stock-based compensation expenses for retention restricted stock units in connection with the Company's restructuring plan, ongoing facilities, and transition costs.

On March 22, 2021, the Company received notice of a class action lawsuit filed against Flexsteel Industries, Inc., and J.K. Dittmer and D.P. Schmidt as individuals, by a number of employees who had worked at the Dubuque Operations and Starkville plants prior to the closure of the locations due to the impact of COVID-19 on the business at that period of time. The allegations with the claim include failure to pay employee benefits as required by an ERISA-governed severance plan, failure of J.K. Dittmer and D.P. Schmidt to act with

respect to the ERISA-governed severance plan, and failure to provide 60-days' notice or the equivalent amount of pay to the employees required by the WARN Act when the Company closed the Dubuque and Starkville locations. The parties participated in a lengthy mediation and on December 3, 2021, agreed to resolve the matter for \$1.3 million. The matter was dismissed with prejudice on September 1, 2022. The Company paid \$1.3 million in the year ended June 30, 2023.

During the quarter ended September 30, 2022, the Company paid all remaining costs associated with the restructuring program.

The roll forward of the accrued restructuring costs is as follows, for the years ended June 30, 2023, 2022, and 2021:

<i>(in thousands)</i>	One-time Employee Termination Benefits	Other Associated Costs	Total
Accrual balance at June 30, 2021	\$ 1,502	\$ 20	\$ 1,522
Costs incurred	(211)	941	730
Expenses paid	(16)	(946)	(962)
Accrual balance at June 30, 2022	\$ 1,275	\$ 15	\$ 1,290
Expenses paid	(1,275)	(15)	(1,290)
Accrual balance at June 30, 2023	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

6. ASSETS HELD FOR SALE

During fiscal year 2020, the Company committed to a plan to sell assets located at the Company's Harrison, Arkansas, Dubuque, Iowa, and Starkville, Mississippi locations as part of the Company's restructuring plan, see Note 5 *Restructuring*. The Company completed the sale of the Dubuque, Iowa and one Harrison, Arkansas location during the year ended June 30, 2021. The Company completed the sale of the remaining Harrison, Arkansas facility during the year ended June 30, 2022. As of June 30, 2023, the Company continues to actively market the assets in Starkville, Mississippi. A summary of the assets held for sale is included in the table below as of June 30, 2023.

<i>(in thousands)</i>	Asset Category	Cost	Accumulated Depreciation	Net Book Value
Starkville, Mississippi	Building & building improvements	\$ 4,615	\$ (4,254)	\$ 361
	Land & land improvements	694	(439)	255
		<u>\$ 5,309</u>	<u>\$ (4,693)</u>	<u>\$ 616</u>

7. OTHER NONCURRENT ASSETS

<i>(in thousands)</i>	June 30,	
	2023	2022
Cash value of life insurance	\$ 1,063	\$ 1,052
VAT receivable	3,865	—
Other	880	889
Total	<u>\$ 5,808</u>	<u>\$ 1,941</u>

8. ACCRUED LIABILITIES – OTHER

<i>(in thousands)</i>	June 30,	
	2023	2022
Dividends	\$ 988	\$ 972
Warranty	1,057	1,047
Purchase commitments	—	1,734
Income taxes	—	1,513
Other	3,903	3,398
Total	<u>\$ 5,948</u>	<u>\$ 8,664</u>

9. CREDIT ARRANGEMENTS

On August 28, 2020, the Company entered a two-year secured \$25.0 million revolving line of credit with Dubuque Bank and Trust Company, with an interest rate of 1.50% plus LIBOR, subject to a floor of 3.00%. The revolving line of credit was secured by essentially all the Company's assets, excluding real property, and required the Company to maintain compliance with certain financial and non-financial covenants. This line of credit was subsequently canceled in the first quarter of the fiscal year 2022.

On September 8, 2021, the Company, as the borrower, entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Lender"), and the other lenders party thereto. The Credit Agreement has a five-year term and provides for up to an \$85 million revolving line of credit. Subject to certain conditions, the Credit Agreement also provides for the issuance of letters of credit in an aggregate amount up to \$5 million which, upon issuance, would be deemed advances under the revolving line of credit. Proceeds of borrowings were used to refinance all indebtedness owed to Dubuque Bank and Trust and for working capital purposes. The Company's obligations under the Credit Agreement are secured by substantially all its assets, excluding real property. The Credit Agreement contains customary representations, warranties, and covenants, including a financial covenant to maintain a fixed coverage ratio of not less than 1.00 to 1.00. In addition, the Loan Agreement places restrictions on the Company's ability to incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities.

On April 18, 2022, the Company, as the borrower, entered a first amendment to the September 8, 2021, Credit Agreement ("First Amendment to the Credit Agreement"), with the Lender, and the lenders party thereto. The first amendment to the Credit Agreement changed the definition of the term 'Payment Conditions' and further defines default or event of default and the calculation of the Fixed Charge Coverage Ratio.

Subject to certain conditions, borrowings under the Credit Agreement initially bore interest at LIBOR plus 1.25% or 1.50% per annum. On May 24, 2023, the Company entered into a second amendment to the Credit Agreement ("Second Amendment to the Credit Agreement") with the lender to transition the applicable interest rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). Effective as of the date of the Second Amendment to the Credit Agreement, borrowings under the amended Credit Agreement bear interest at SOFR plus 1.36% to 1.61% or an effective interest rate of 6.42% on June 30, 2023.

As of June 30, 2023, there was \$28.3 million outstanding under the Credit Agreement, exclusive of fees and letters of credit.

Letters of credit outstanding at the Lender as of June 30, 2023, totaled \$1.1 million.

10. INCOME TAXES

The Company recognizes deferred tax assets to the extent that they believe the assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. As of June 30, 2023, it was determined the Company has reached a more-likely-than-not position that the Company will realize the entirety of its deferred tax assets. Therefore, the Company has reversed the valuation allowance against the federal and state deferred tax assets recorded as of June 30, 2022 of \$9.8 million.

Income tax expense was calculated based upon the following components of income (loss) before income taxes for the years ended June 30:

<i>(in thousands)</i>	2023	2022	2021
United States	\$ 6,680	\$ 2,150	\$ 33,353
Outside the United States	2,539	3,752	(1,886)
Income before income taxes	<u>\$ 9,219</u>	<u>\$ 5,902</u>	<u>\$ 31,467</u>

The income tax benefit (provision) is as follows for the years ended June 30:

<i>(in thousands)</i>	2023	2022	2021
Federal - current	\$ (799)	\$ (2,966)	\$ (5,480)
State and other - current	(796)	(1,084)	(828)
Deferred	7,154	—	(2,111)
Total	<u>\$ 5,559</u>	<u>\$ (4,050)</u>	<u>\$ (8,419)</u>

Reconciliation between the U.S. federal statutory tax rate and the effective tax rate is as follows for the years ended June 30:

	2023	2022	2021
Federal statutory tax rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal effect	5.2	(0.7)	4.0
Foreign rate differential	2.8	5.7	2.8
Uncertain tax positions	(2.1)	(2.6)	—
Stock based compensation	(0.5)	(1.0)	(1.4)
Section 162(m)	2.5	1.9	—
Foreign adjustments	(0.1)	(8.9)	—
Deferred adjustments	0.7	—	4.0
Expired state credits	17.1	—	—
Remeasurement of deferred tax assets and valuation allowance	(106.7)	42.8	(3.7)
Amended return impacts	—	7.8	—
State rate change	(0.5)	2.7	—
Other	0.3	(0.1)	0.1
Effective tax rate	<u>(60.3)%</u>	<u>68.6 %</u>	<u>26.8 %</u>

The components of the gross liabilities related to unrecognized tax benefits and the related deferred tax assets are as follows:

<i>(in thousands)</i>	June 30,	
	2023	2022
Gross unrecognized tax benefits	\$ 424	\$ 604
Accrued interest and penalties	132	189
Gross liabilities related to unrecognized tax benefits	<u>\$ 556</u>	<u>\$ 793</u>
Deferred tax assets	38	84
Valuation allowance	—	(84)
Net deferred tax assets	<u>\$ 38</u>	<u>\$ —</u>

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(in thousands)</i>	2023		2022		2021	
	\$	604	\$	640	\$	380
Balance at July 1						
Reductions for tax positions of the prior year		—		(72)		—
Additions based on tax positions related to the current year		10		70		260
Lapse of statute of limitations		(190)		(188)		—
Addition for tax positions of the prior year		—		154		—
Balance at June 30	<u>\$ 424</u>		<u>\$ 604</u>		<u>\$ 640</u>	

The Company records interest expenses and penalties related to income taxes as income tax expenses in the consolidated statements of income. The Company does not expect that there will be any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months. The amount of unrecognized tax benefits as of June 30, 2023, and 2022 that if recognized, would affect the effective tax rate was \$0.3 million and \$0.4 million respectively.

The primary components of deferred tax assets and (liabilities) are as follows:

(in thousands)	June 30,	
	2023	2022
Accounts receivable	\$ 654	\$ 739
Inventory	1,490	2,448
Self-insurance	25	34
Payroll and related	938	740
Accrued liabilities	633	2,003
Property, plant, and equipment	1,202	742
Investment tax credit	303	1,894
Valuation allowance	—	(9,838)
Net operating loss carryover	361	494
Lease assets	(17,158)	(10,468)
Lease liabilities	18,129	11,067
Other	577	145
Total	\$ 7,154	\$ —

On June 30, 2023, certain state tax attribute carryforwards of \$0.7 million were available, with \$0.3 million of credits expiring beginning in fiscal years 2024 through 2029, and \$0.4 million of state NOLs carryforward. Some of the state NOLs carryforward will have an indefinite carryforward and some will expire in varying amounts between 2025 and 2040. As of June 30, 2023, it was determined that the Company has reached a more likely than not position that the Company will realize the entirety of its state attribute carryforwards and its U.S. federal deferred tax assets. Therefore, the Company has reversed the valuation allowance against the state attribute carryforward and the entirety of the deferred tax asset balance.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. Generally, fiscal years 2019 through 2023 remain open to examination by the Internal Revenue Service or other taxing jurisdictions to which the Company is subject.

11. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plans in accordance with ASC 718, *Stock Compensation*, which requires the Company to measure all share-based payments at the fair value as of grant date and recognize the cost over the requisite service period. Restricted shares and restricted stock units ("RSUs") generally vest over 1 to 3 years. Stock options are granted at an exercise price equal to the fair value of the Company's common stock price at the grant date and are exercisable for up to 10 years. Stock-based compensation is included in selling, general and administrative, and restructuring expenses on the consolidated statements of income. The stock-based compensation expense included in restructuring expense were for retention RSUs in connection with the Company's restructuring plan. Forfeitures are recognized as incurred.

Total stock-based compensation expense was \$3.2 million, \$1.0 million and \$3.7 million for fiscal years 2023, 2022 and 2021, respectively.

On December 14, 2022, the Company's shareholders approved the Flexsteel Industries, Inc. 2022 Equity Incentive Plan ("2022 Plan").

The 2022 Plan replaces the Long-Term Incentive Compensation Plan ("LTIP") and the 2013 Omnibus Stock Plan (collectively, the "Prior Plans") and no further awards will be made under either of the Prior Plans, but these Prior Plans will continue to govern awards previously granted under them.

(1) 2022 Equity Incentive Plan

The 2022 Plan is a long-term incentive plan pursuant to which awards may be granted to certain employees, independent contractors and directors of the Company, in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares or other stock-based awards. Awards for 10,925 shares were granted under the 2022 Plan in the year ended June 30, 2023 with a fair value per share of \$19.95. These shares remain unvested and have no forfeitures as of June 30, 2023. These shares are included in the Restricted Shares and RSUs table below.

(2) Long-Term Incentive Compensation Plan ("LTIP")

The LTIP provides for performance stock units ("PSUs") to be awarded to officers and key employees based on performance goals set by the Compensation Committee of the Board of Directors (the "Committee"). For awards under the LTIP for the three year performance periods ending June 30, 2023, 2024, and 2025, participants may earn one-third of the award in each of

the three years based on meeting performance goals for that year. The Committee selected Adjusted Earnings Before Interest and Tax based on a defined percentage growth as the performance metric for the performance periods ending June 30, 2023, 2024, and 2025. In conjunction with each grant of PSUs, the Committee granted RSUs under the 2013 Omnibus Stock Plan that vest at the end of three years.

The table below sets forth, as of June 30, 2023, the number of unvested PSUs granted at the target performance level for the 2021-2023, 2022-2024, and 2023-2025 performance periods under the LTIP and the number of unvested RSUs granted in conjunction with the PSUs:

(shares in thousands)	Time Based Vest		Performance Based Vest		Total	
	Shares	Weighted average	Shares	Weighted average	Shares	Weighted average
		fair value		fair value		fair value
		per share		per share		per share
Unvested as of June 30, 2021	107	\$ 13.89	142	\$ 13.36	249	\$ 13.59
Granted	27	42.35	41	42.35	68	42.35
Vested	(42)	17.23	—	—	(42)	17.23
Forfeited	(6)	38.62	(9)	38.61	(15)	38.61
Unvested as of June 30, 2022	86	\$ 19.53	174	\$ 18.87	260	\$ 19.09
Granted	62	19.27	91	19.27	153	19.27
Vested	(63)	12.64	(44)	17.23	(107)	14.53
Forfeited	(6)	23.02	(10)	23.02	(16)	23.02
Unvested as of June 30, 2023	79	\$ 24.56	211	\$ 19.19	290	\$ 20.65

Total unrecognized stock-based compensation related to the unvested PSUs at the target performance level and the related unvested RSUs was \$2.2 million as of June 30, 2023, which is expected to be recognized over a period of 1.2 years.

(3) 2013 Omnibus Stock Plan, and 2009 Stock Option Plan

The 2013 Omnibus Stock Plan and 2009 Stock Option Plan were for key employees, officers and directors and provides for the granting of incentive and nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and performance units. No further stock units will be granted under the 2013 Omnibus Stock Plan and the 2009 stock option plan.

Restricted Shares and RSUs

A summary of the activity in the Company's unvested restricted shares and unvested RSUs, not granted in conjunction with PSUs, as of June 30, 2023, is presented below:

	Shares (in thousands)	Weighted average fair value per share
Unvested as of June 30, 2021	56	\$ 26.81
Granted	5	33.78
Vested	(20)	29.46
Forfeited	(6)	24.12
Unvested as of June 20, 2022	35	\$ 26.72
Granted	66	19.30
Vested	(21)	23.58
Forfeited	(6)	18.41
Unvested as of June 20, 2023	74	\$ 21.67

Total unrecognized stock-based compensation related to unvested restricted shares and unvested RSUs (not granted in conjunction with the PSUs) was \$0.8 million as of June 30, 2023, which is expected to be recognized over a weighted average period of 1.2 years.

Options

The weighted average grant date fair value of stock options granted during fiscal years 2023, 2022, and 2021 were none, none, and \$6.77, respectively. The weighted average assumptions used to estimate these fair values were as follows:

	For the years ended June 30,			
	2023	2022	2021	
Dividend yield	—	—	—	3.4%
Expected volatility	—	—	—	43.2%
Risk-free interest rate	—	—	—	0.6%
Expected life (in years)	—	—	—	5

The expected volatility and expected life are determined based on historical data. The interest rate is based on U.S. Treasury risk-free rate in effect at the date of grant for the periods corresponding with the expected term of options.

A summary of the activity of the Company's stock option plans during the years ended June 30, 2023, 2022, and 2021, is presented below:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at June 30, 2021	232	\$ 21.91
Granted	—	—
Exercised	(8)	15.75
Cancelled	(9)	36.58
Outstanding at June 30, 2022	215	\$ 21.50
Granted	—	—
Exercised	—	—
Cancelled	(13)	30.20
Outstanding at June 30, 2023	202	\$ 20.98

The following table summarizes information for options outstanding at June 30, 2023:

Range of Prices	Options Outstanding (in thousands)	Weighted Average	
		Remaining Life (Years)	Exercise Price
\$ 9.97 - 15.14	97	6.7	\$ 12.64
18.30 - 19.72	6	7.9	18.30
21.96 - 27.57	57	3.9	24.18
31.06 - 32.80	29	2.8	32.27
43.09 - 47.45	13	3.2	45.28
\$ 9.97 - 47.45	202	5.1	\$ 20.98

The Company does not have any unrecognized stock-based compensation expense related to options.

Stock-based compensation granted outside a plan

During the quarter ended June 30, 2020, the Company awarded its Chief Financial Officer/Chief Operating Officer 79,000 options outside of any Company stock plans. All 79,000 options remain outstanding as of June 30, 2023, with an exercise price of \$9.97 and a remaining life of 6.8 years. There is no remaining unrecognized stock-based compensation expense related to these options.

During the quarter ended December 31, 2018, the Company awarded its Chief Executive Officer 55,000 options outside of any Company stock plans. All 55,000 options remain outstanding as of March 31, 2023, with an exercise price of \$21.96 and a remaining life of 5.5 years. There is no remaining unrecognized stock-based compensation expense related to these options.

12. BENEFIT AND RETIREMENT PLANS

Defined Contribution and Retirement Plans

The Company sponsors a defined contribution retirement plan, which covers substantially all employees. The Company’s total matching contribution expense was \$1.6 million, \$2.0 million, and \$1.0 million in fiscal years 2023, 2022, and 2021, respectively.

Multi-employer Pension Plans

The Company contributes to one multi-employer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees.

The Company’s participation in the current and previous defined benefit pension plans for the annual period ended June 30, 2023, is outlined in the following table. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2023 and 2022 is for the plan’s year-end on December 31, 2022, and 2021, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		Rehabilitation Plan Status	Company Contributions (in thousands)			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement	Number of Company Employees in Plan
		June 30,			2023	2022	2021			
		2023	2022		2023	2022	2021			
Central States SE and SW Areas Pension Fund	366044243	Red	Red	Implemented	\$ 115	\$ 127	\$ 150	No	3/31/2025	6
Steelworkers Pension Trust	236648508	Green	Green	Not applicable	—	—	—	No	Not applicable	—
					<u>\$ 115</u>	<u>\$ 127</u>	<u>\$ 150</u>			

With the closure of the Company’s Dubuque, Iowa manufacturing facility, the collective bargaining agreement for the Steelworkers Pension Trust was terminated as of June 30, 2020. As of June 30, 2022, the Company had withdrawn from the Steelworkers Pension Trust and paid the previously recorded withdrawal liability of \$1.2 million and recorded an expense reduction of \$0.2 million for the year ended June 30, 2022, see Note 5 *Restructuring*.

13. COMMITMENTS AND CONTINGENCIES

Environmental Matters – In March 2016, the Company received a General Notice Letter for the Lane Street Groundwater Superfund Site (the “Lane Street Site”) located in Elkhart, Indiana from the U.S. Environmental Protection Agency (EPA). In April 2016, the EPA issued their proposed clean-up plan for groundwater pollution and request for public comment. The Company responded to the request for public comment in May 2016. The EPA issued a Record of Decision selecting a remedy in August 2016 and estimated total costs to remediate of \$3.6 million. In July 2017, the EPA issued a Special Notice Letter to the Company demanding that the Company perform the remedy selected and pay for the remediation cost and past response costs of \$5.5 million. On October 12, 2017, the Company, after consultation with its insurance carriers, offered an amount, fully reimbursable by insurance coverage, to the EPA to resolve this matter. On November 6, 2017, the settlement offer extended on October 12, 2017, was rejected.

In April 2018, the EPA issued a Unilateral Administrative Order for Remedial Design and Remedial Action (the “Order”) against the Company. The Order was issued under Section 106(a) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. §9606(a). The Order directed the Company to perform remedial design and remedial action for the Lane Street Site. The Order was to be effective May 29, 2018. To ensure completion of the remediation work, the EPA required the Company to secure financial assurance in the initial amount of \$3.6 million, which as noted above, was the estimated cost of remedial work. The Company believed that financial assurance was not required because it met the relevant financial test criteria as provided in the Order. In May 2018, the EPA agreed to suspend enforcement of the Order so that the Company could conduct environmental testing upgradient to its former manufacturing location pursuant to an Administrative Order on Consent (AOC). On April 24, 2019, the Company signed an AOC with the EPA to conduct the upgradient investigation. The Company negotiated site access to the upgradient property over a period of months in 2019, followed by completion of sampling activities on that property on September 28-29, 2019. Following multiple exchanges from November 2019 through early 2020, the Company submitted a final and supplemental report to the EPA regarding the results of the upgradient investigation on June 17, 2020.

Despite the Company’s position that it did not cause or contribute to the contamination, the Company reached a settlement with the EPA and the State of Indiana, which was filed as a consent decree in the U.S. District Court for the Northern District of Indiana on October

24, 2022. The consent decree required Flexsteel to pay \$9.8 million in resolution of the matter. Flexsteel also reached agreements with its insurance carriers for partial reimbursement of the settlement. During the quarter ended December 31, 2022, the Company made full payment in accordance with the settlement agreement and as a result of insurance proceeds received, the Company recorded income of \$2.8 million for the quarter ended December 31, 2022, which is included in environmental remediation on the Consolidated Statements of Income and Comprehensive Income.

Other Proceedings – From time to time, the Company is subject to various other legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of the Company’s business. The Company does not consider any of such other proceedings that are currently pending, individually or in the aggregate, to be material to its business or likely to result in a material effect on its consolidated operating results, financial condition, or cash flows.

14. QUARTERLY FINANCIAL INFORMATION – UNAUDITED

(in thousands, except per share amounts)

	For the Quarter Ended			
	September 30	December 31 ^(a)	March 31	June 30 ^(b)
Fiscal 2023:				
Net sales	\$ 95,684	\$ 93,137	\$ 99,052	\$ 105,819
Gross margin	15,349	15,838	18,645	21,115
Operating income	428	3,762	2,116	4,236
Net income	289	2,853	1,475	10,161
Earnings per share:				
Basic	\$ 0.05	\$ 0.54	\$ 0.28	\$ 1.97
Diluted	\$ 0.05	\$ 0.53	\$ 0.28	\$ 1.91

- (a) During the quarter ended December 31, 2022, the Company recorded income of \$2.8 million as a result of insurance proceeds received related to the settlement of the environmental remediation liability. See Note 13 *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for more information.
- (b) During the quarter June 30, 2023, it was determined the Company has reached a more-likely- than-not position that the Company will realize the entirety of its deferred tax assets. Therefore, the Company has reversed the valuation allowance against the federal and state deferred tax assets recorded as of June 30, 2022 of \$9.8 million. See Note 10 *Income Taxes*, included in this Annual Report on Form 10-K for more information.

	For the Quarter Ended			
	September 30	December 31	March 31	June 30
Fiscal 2022:				
Net sales	\$ 137,689	\$ 141,668	\$ 140,408	\$ 124,517
Gross margin	23,410	9,527	22,071	17,672
Operating income (loss)	5,873	(8,636)	5,814	3,566
Net income (loss)	4,353	(7,545)	5,316	(271)
Earnings (loss) per share:				
Basic	\$ 0.64	\$ (1.13)	\$ 0.84	\$ (0.05)
Diluted	\$ 0.61	\$ (1.13)	\$ 0.82	\$ (0.05)

15. SUBSEQUENT EVENTS

There are no subsequent events as of August 25, 2023.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures – Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, the Company’s chief executive officer and chief financial officer have concluded that disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of June 30, 2023.

Management’s Annual Report on Internal Control Over Financial Reporting – Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) or 15d-15(f) of the Securities Exchange Act of 1934, as amended. The Company performed an evaluation under the supervision and with the participation of its

management, including the CEO and CFO, to assess the effectiveness of the design and operation of its disclosure controls and procedures under the Exchange Act as of June 30, 2023. In making this assessment, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. Based on those criteria, management concluded that the internal control over financial reporting is effective as of June 30, 2023.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2023, has been audited by Deloitte & Touche LLP, the Company's independent registered public accounting firm, as stated in their report in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

In accordance with General Instruction G(3) to Form 10-K, the Company intends to file with the SEC the information required by this item not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 11. Executive Compensation

In accordance with General Instruction G(3) to Form 10-K, the Company intends to file with the SEC the information required by this item not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

In accordance with General Instruction G(3) to Form 10-K, the Company intends to file with the SEC the information required by this item not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In accordance with General Instruction G(3) to Form 10-K, the Company intends to file with the SEC the information required by this item not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 14. Principal Accountant Fees and Services

In accordance with General Instruction G(3) to Form 10-K, the Company intends to file with the SEC the information required by this item not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV**Item 15. Exhibits, Financial Statements and Schedules****Financial Statements and Financial Statement Schedules**

See “Index to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K. Schedule II is included in Part II, Item 8, and all other financial statement schedules have been omitted because they are not required or are not applicable or because the information required in those schedules either is not material or is included in the consolidated financial statements or the accompanying notes.

Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated as part of this Annual Report on Form 10-K. The following financial statement schedules for the years ended June 30, 2023, 2022 and 2021 are submitted herewith:

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended June 30, 2023, 2022 and 2021

<i>(in thousands)</i>		Balance at Beginning of Year		(Additions) Reductions to Income		Deductions from Reserves		Balance at End of Year
Description								
Accounts Receivable Allowances:								
2023	\$	2,980	\$	(230)	\$	(150)	\$	2,600
2022	\$	3,240	\$	126	\$	(386)	\$	2,980
2021	\$	1,770	\$	1,618	\$	(148)	\$	3,240
VAT Allowances:								
2023	\$	—	\$	—	\$	—	\$	—
2022	\$	—	\$	—	\$	—	\$	—
2021	\$	237	\$	—	\$	(237)	\$	—

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

Date: August 25, 2023 By: /s/ Jerald K. Dittmer
Jerald K. Dittmer
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: August 25, 2023 /s/ Jerald K. Dittmer
Jerald K. Dittmer
Chief Executive Officer and Director
(Principal Executive Officer)

Date: August 25, 2023 /s/ Derek P. Schmidt
Derek P. Schmidt
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: August 25, 2023 /s/ Thomas M. Levine
Thomas M. Levine
Chair of the Board of Directors

Date: August 25, 2023 /s/ Mary C. Bottie
Mary C. Bottie
Director

Date: August 25, 2023 /s/ William S. Creekmuir
William S. Creekmuir
Director

Date: August 25, 2023 /s/ Matthew A. Kaness
Matthew A. Kaness
Director

Date: August 25, 2023 /s/ Kathryn P. Dickson
Kathryn P. Dickson
Director

Date: August 25, 2023 /s/ M. Scott Culbreth
M. Scott Culbreth
Director

Date: August 25, 2023 /s/ Jeanne McGovern
Janne McGovern
Director

Exhibit Index

Exhibit No.	
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Form 8-K, as filed with the Securities and Exchange Commission on December 7, 2016).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Form 8-K, as filed with the Securities and Exchange Commission on December 10, 2021).
4.1	Description of the Company's common stock (incorporated by reference to Exhibit No. 4.1 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2019).
10.1	2009 Stock Option Plan (incorporated by reference to Appendix A from the 2009 Flexsteel definitive proxy statement).*
10.2	Cash Incentive Compensation Plan, dated July 1, 2013 (incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on October 28, 2013).*
10.3	Form of Notification of Award for the Cash Incentive Compensation Plan (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).*
10.4	Form of Notification of Award for the Long-Term Incentive Compensation Plan (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).*
10.5	Form of Notification of Award for incentive stock options issued under the Omnibus Stock Plan (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).*
10.6	Form of Notification of Award for director non-qualified stock options issued under the Omnibus Stock Plan (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on December 13, 2013).*
10.7	Form of Notification of Award for restricted stock units under the Omnibus Stock Plan (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).*
10.8	Long-Term Incentive Compensation Plan, dated July 1, 2013 (incorporated by reference to Appendix B to the Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on October 28, 2013).*
10.9	Form of Notification of Non-Statutory Stock Option Award (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).*
10.10	Amended and Restated Omnibus Stock Plan (incorporated by Reference to the Form 8-K filed with the Securities and Exchange Commission on December 15, 2020).*
10.11	Form of Notification of Restricted Stock Award under the Omnibus Stock Plan (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).*
10.12	Severance Plan for Management Employees dated October 25, 2018, including Form of Participation Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on November 2, 2018).*
10.13	First Amendment to the Flexsteel Industries, Inc. Severance Plan for Management Employees, dated April 15, 2020 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on May 1, 2020).*
10.14	Form of Confidentiality and Noncompetition Agreement between the Company and Jerald K. Dittmer (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on December 20, 2018).*
10.15	Executive Employment Agreement, dated December 28, 2018 with Jerald K. Dittmer (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on February 6, 2019).*
10.16	Notification of Non-Statutory Stock Option Award, dated December 28, 2018 for Jerald K. Dittmer (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on February 6, 2019).*
10.17	Notification of Restricted Stock Award, dated December 28, 2018 for Jerald K. Dittmer (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on February 6, 2019).*
10.18	First Amendment Executive Employment Agreement between the Company and Jerald K. Dittmer dated August 30, 2019 (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on September 5, 2019).*
10.19	Letter Agreement dated March 10, 2020, by and between Flexsteel Industries, Inc. and Derek P. Schmidt (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on March 18, 2020).*
10.20	Credit Agreement dated August 28, 2020, between Flexsteel Industries, Inc. and Dubuque Bank and Trust Company (incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission on September 1, 2020).
10.21	Revolving Line of Credit Note dated August 28, 2020, between Flexsteel Industries, Inc. and Dubuque Bank and Trust Company (incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission on September 1, 2020).

10.22	Security Agreement dated August 28, 2020, between Flexsteel Industries, Inc. and Dubuque Bank and Trust Company (incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission on September 1, 2020).
10.23	Credit Agreement between Flexsteel Industries, Inc. and Wells Fargo Bank, National Association, dated September 8, 2021 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on September 8, 2021).
10.24	First Amendment to the Credit Agreement between Flexsteel Industries, Inc. and Wells Fargo Bank, National Association, dated April 22, 2022 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on August 26, 2022).
10.25	Second Amendment to the Credit Agreement between Flexsteel Industries, Inc. and Wells Fargo Bank, National Association, dated May 24, 2023. †
10.26	Letter Agreement dated May 6, 2022 by and between Flexsteel Industries, Inc. and Alejandro Huerta (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on May 24, 2022). *
10.27	2022 Equity Incentive Plan (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on December 16, 2022). *
10.28	Form of Stock Option Agreement under the 2022 Equity Incentive Plan (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on February 8, 2023). *
10.29	Form of Performance Share Unit Agreement under the 2022 Equity Incentive Plan. *†
10.30	Form of Restricted Stock Unit Agreement under the 2022 Equity Incentive Plan. *†
21.1	Subsidiaries of the Company. †
23	Consent of Independent Registered Public Accounting Firm. †
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended. †
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended. †
32	Certification by Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
*	Management contracts, compensatory plans and arrangements required to be filed as an exhibit to this report.
†	Filed herewith
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104.Cover Page	Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
**	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed.”

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is entered into as of May 24, 2023, by and among the lenders identified on the signature schedule (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as "Lenders"), **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), and **FLEXSTEEL INDUSTRIES, INC.**, a Minnesota corporation ("Borrower").

WHEREAS, Borrower, Agent, and Lenders are parties to that certain Credit Agreement dated as of September 8, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, Borrower has requested that the Lenders effect certain amendments to the Credit Agreement; and

WHEREAS, Agent and the undersigned Lenders have agreed to effect such amendments to the Credit Agreement, in each case subject to the terms and provisions hereof;

NOW THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement.

2. Amendment. Subject to the satisfaction of the conditions set forth in Section 6 below and in reliance on the representations and warranties set forth in Section 7 below, the Credit Agreement (excluding schedules and exhibits) is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as reflected in the modifications set forth in the document attached hereto as Exhibit A.

3. Continuing Effect. On and after the Amendment Effective Date, references in the Credit Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein", and "hereof") and in any Loan Document to the "Credit Agreement" shall be deemed to be references to the Credit Agreement as modified hereby. Except as expressly set forth in Section 2 of this Amendment, nothing in this Amendment shall constitute a modification or alteration of the terms, conditions or covenants of the Credit Agreement or any other Loan Document, or a waiver of any other terms or provisions thereof, and the Credit Agreement and the other Loan Documents shall remain unchanged and shall continue in full force and effect, in each case as modified hereby. This Amendment is a Loan Document.

4 Reaffirmation and Confirmation. Borrower hereby ratifies, affirms, acknowledges and agrees that the Credit Agreement and the other Loan Documents to which it is a party represent its valid, enforceable and collectible obligations, and further acknowledges that there are no existing claims, defenses, personal or otherwise, or rights of setoff whatsoever with respect to the Credit Agreement or any other Loan Document. Borrower hereby agrees that this Amendment in no way acts as a release or relinquishment of the Liens and rights securing payments of the Obligations. The Liens and rights securing payment of the Obligations are hereby ratified and confirmed by Borrower in all respects.

5. Conditions to Effectiveness. The effectiveness of this Amendment is expressly conditioned upon the satisfaction of each of the following conditions precedent in a manner satisfactory to each Agent (the date on which such conditions have been satisfied, the "Amendment Effective Date"):

- (a) Agent shall have received a copy of this Amendment, executed and delivered by (i) Lenders, and (ii) Borrower;
- (b) The representations and warranties of Borrower set forth in Section 7 below shall be true and correct as of the date hereof; and
- (c) No Default or Event of Default shall have occurred and be continuing.

6. Representations and Warranties. In order to induce Agent and Required Lenders to enter into this Amendment, Borrower hereby represents and warrants to Agent and Lenders, after giving effect to this Amendment:

(a) Each of the representations and warranties of Borrower or its Subsidiaries contained in the Credit Agreement or in the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);

(b) No Default or Event of Default has occurred and is continuing; and

(c) This Amendment and the Credit Agreement, as amended hereby, constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

7. Miscellaneous.

(a) Expenses. Borrower agrees to pay on demand all Lender Group Expenses of Agent and Lenders in connection with the preparation, negotiation, execution, delivery and administration of this Amendment in accordance with the terms of the Credit Agreement.

(b) Governing Law. This Amendment shall be a contract made under and governed by, and construed in accordance with the internal laws of the State of Illinois.

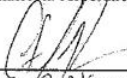
(c) Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic photocopy (i.e. "pdf") shall be effective as delivery of a manually executed counterpart hereof.

8. Release. In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower, on behalf of itself and its respective successors and assigns, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known as of the date of this Amendment, both at law and in equity, which Borrower, or any of its respective successors or assigns may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, in each case for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto, except with respect to any Claim against any Releasee not known to Borrower on the date hereof that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct, or a material breach of the obligations under this Amendment or any of the other Loan Documents, of such Releasee or its officers, directors, employees, attorneys or agents.

[Signature pages follow]

BORROWER:

FLEXSTEEL INDUSTRIES, INC.
a Minnesota corporation

By: 
Name: G. Alejandro Hertz
Title: CEO

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as Agent and as a Lender



By:

Name: Pamela Solares

Title: Vice President

See attached



CREDIT AGREEMENT

by and among

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Agent,

THE LENDERS THAT ARE PARTIES HERETO

as the Lenders, and

FLEXSTEEL INDUSTRIES, INC.

as Borrower

Dated as of September 8, 2021

as amended by that certain First Amendment to Credit Agreement dated as of April 22, 2022 [and that certain Second Amendment to Credit Agreement dated as of \[_____ \], 2023](#)

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"Acquisition" means (a) the purchase or other acquisition by a Person or its Subsidiaries of all or substantially all of the assets of (or any division or business line of) any other Person, or (b) the purchase or other acquisition (whether by means of a merger, consolidation, or otherwise) by a Person or its Subsidiaries of all of the Equity Interests of any other Person.

"Additional Documents" has the meaning specified therefor in Section 5.12 of this Agreement.

"Administrative Borrower" has the meaning specified therefor in Section 17.13 of this Agreement.

"Administrative Questionnaire" has the meaning specified therefor in Section 13.1(a) of this Agreement.

"Affected Financial Institution" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"Affected Lender" has the meaning specified therefor in Section 2.13(b) of this Agreement.

"Affiliate" means, as applied to any Person, any other Person who controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Equity Interests, by contract, or otherwise; provided, that for purposes of the definition of Eligible Accounts and Section 6.10 of this Agreement: (a) if any Person owns directly or indirectly 10% or more of the Equity Interests having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person), then both such Persons shall be Affiliates of each other, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

"Agent" has the meaning specified therefor in the preamble to this Agreement. "Agent-Related Persons" means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

"Agent's Account" means the Deposit Account of Agent identified on Schedule A-1 to this Agreement (or such other Deposit Account of Agent that has been designated as such, in writing, by Agent to Borrowers and the Lenders).

"Agent's Liens" means the Liens granted by each Loan Party or its Subsidiaries to Agent under the Loan Documents and securing the Obligations.

"Agreement" means this Credit Agreement, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"Announcements" has the meaning specified therefor in Section 1.8 of this Agreement.

"Anti-Corruption Laws" means the FCPA, the U.K. Bribery Act of 2010, as amended, and all other applicable laws and regulations or ordinances concerning or relating to

bribery or corruption in any jurisdiction in which any Loan Party or any of its Subsidiaries or Affiliates is located or is doing business.

"Anti-Money Laundering Laws" means the applicable laws or regulations in any jurisdiction in which any Loan Party or any of its Subsidiaries or Affiliates is located or is doing business that relates to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto.

"Applicable Margin" means, as of any date of determination and with respect to Base Rate Loans or ~~LIBOR~~ SOFR Loans, as applicable, the applicable margin set forth in the following table that corresponds to the Average Excess Availability of Borrowers for the most recently completed month; provided, that for the period from the Closing Date through and including November 30, 2021, the Applicable Margin shall be set at the margin in the row styled "Level II"; provided further, that any time an Event of Default has occurred and is continuing, the Applicable Margin shall be set at the margin in the row styled "Level II":

Level	Average Excess Availability	Applicable Margin for Base Rate Loans which are Revolving Loans (the "Base Rate Margin")	Applicable Margin for LIBOR SOFR Loans which are Revolving Loans (the " LIBOR Rate SOFR Margin")
		I	≥ 25% of the Maximum Revolver Amount
II	< 25% of the Maximum Revolver Amount	0.00 percentage points	4.50 1.61 percentage points

The Applicable Margin shall be re-determined as of the first day of each month. "Application Event" means the occurrence of (a) a failure by Borrowers to repay all of the Obligations in full on the Maturity Date, or (b) an Event of Default and the election by Agent or the Required Lenders to require that payments and proceeds of Collateral be applied pursuant to Section 2.4(b)(iii) of this Agreement.

"Applicable Rate" means, (i) Daily ~~One Month LIBOR~~ Simple SOFR plus the ~~LIBOR Rate~~ SOFR Margin, or (ii) if Daily ~~One Month LIBOR~~ Simple SOFR is no longer available or cannot be calculated for any reason (including as a result of any market disruption generally) or Wells Fargo determines that it is unlawful or impractical to offer ~~the~~ Daily ~~One Month LIBOR~~ Simple SOFR, the Base Rate plus the Base Rate Margin.

"Assignee" has the meaning specified therefor in Section 13.1(a) of this Agreement.

"Assignment and Acceptance" means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1 to this Agreement.

"Authorized Person" means any one of the individuals identified as an officer of a Borrower on Schedule A-2 to this Agreement, or any other individual identified by Administrative Borrower as an authorized person and authenticated through Agent's electronic platform or portal in accordance with its procedures for such authentication.

"Availability" means, as of any date of determination, the amount that Borrowers are entitled to borrow as Revolving Loans under Section 2.1 of this Agreement (after giving effect to the then outstanding Revolver Usage).

"Available Revolver Increase Amount" means, as of any date of determination, an amount equal to the result of (a) \$25,000,000, minus (b) the aggregate principal amount of Increases to the Revolver Commitments previously made pursuant to Section 2.14 of this Agreement.

"Average Excess Availability" means, with respect to any period, the sum of the aggregate amount of Availability for each day in such period (as calculated by Agent as of the end of each respective day) divided by the number of days in such period.

"Average Revolver Usage" means, with respect to any period, the sum of the aggregate amount of Revolver Usage for each day in such period (calculated as of the end of each respective day) divided by the number of days in such period.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable ~~EEA~~ Resolution Authority in respect of any liability of an ~~EEA~~ Affected Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bank Product" means any one or more of the following financial products or accommodations extended to any Loan Party or any of its Subsidiaries by a Bank Product Provider: (a) credit cards (including commercial cards (including so-called "purchase cards", "procurement cards" or "p-cards")), (b) payment card processing services, (c) debit cards,

(d) stored value cards, (e) Cash Management Services, or (f) transactions under Hedge Agreements.

"Bank Product Agreements" means those agreements entered into from time to time by any Loan Party or any of its Subsidiaries with a Bank Product Provider in connection with the obtaining of any of the Bank Products.

"Bank Product Collateralization" means providing cash collateral (pursuant to documentation reasonably satisfactory to Agent) to be held by Agent for the benefit of the Bank Product Providers (other than the Hedge Providers) in an amount determined by Agent as sufficient to satisfy the reasonably estimated credit exposure, operational risk or processing risk with respect to the then existing Bank Product Obligations (other than Hedge Obligations).

"Bank Product Obligations" means (a) all obligations, liabilities, reimbursement obligations, fees, or expenses owing by each Loan Party and its Subsidiaries to any Bank Product Provider pursuant to or evidenced by a Bank Product Agreement and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, (b) all Hedge Obligations, and (c) all amounts that Agent or any Lender is obligated to pay to a Bank Product Provider as a result of Agent or such Lender purchasing participations from, or executing guarantees or indemnities or reimbursement obligations to, a Bank Product Provider with respect to the Bank Products provided by such Bank Product Provider to a Loan Party or its Subsidiaries.

"Bank Product Provider" means Wells Fargo or any of its Affiliates, including each of the foregoing in its capacity, if applicable, as a Hedge Provider.

"Bank Product Reserves" means, as of any date of determination, those reserves that Agent deems necessary or appropriate to establish (based upon the Bank Product Providers' determination of the liabilities and obligations of each Loan Party and its Subsidiaries in respect of Bank Product Obligations) in respect of Bank Products then provided or outstanding.

"Bankruptcy Code" means title 11 of the United States Code, as in effect from time to time.

"Base Rate" means the greatest of (a) the Federal Funds Rate *plus* ½%, and (b) the

rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo's base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publications as Wells Fargo may designate (and, if any such announced rate is below zero, then the rate determined pursuant to this clause (b) shall be deemed to be zero).

"Base Rate Loan" means each portion of the Revolving Loans that bears interest at a rate determined by reference to the Base Rate.

"Base Rate Margin" has the meaning set forth in the definition of Applicable Margin.

"Benchmark" means, initially, ~~USD LIBOR~~ Daily Simple SOFR, provided, that, if a Benchmark Transition Event ~~< or an Early Opt-in Election >~~, as applicable, and its related Benchmark Replacement Date have occurred with respect to ~~USD LIBOR~~ Daily Simple SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark

Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to the provisions of Section 2.12(~~c~~d).

"Benchmark Administrator" means, initially, the Federal Reserve Bank of New York, or any successor administrator of the then-current Benchmark or any insolvency or resolution official with authority over such administrator.

~~"Benchmark Replacement" means, with respect to any Benchmark Transition Event or Early Opt-in Election, the first alternative set forth in the order below that can be determined by Agent for the applicable Benchmark Replacement Date;~~

~~(a) the sum of: (i) Daily Simple SOFR and (ii) the related Benchmark Replacement Adjustment;~~

~~(b) "Benchmark Replacement" means the sum of: (~~a~~) the alternate~~

~~rate of interest that has been selected by Agent and Administrative Borrower as the replacement for the then-current Benchmark giving due consideration to (A) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (B) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the then-current Benchmark~~

~~for Dollar-denominated syndicated or bilateral credit facilities and (ii) the Benchmark Replacement Adjustment;~~

~~; and (b) If the Benchmark Replacement as determined pursuant to clause (a) or (b) of this definition would be less than 0.00%, then the Benchmark Replacement shall be deemed to be~~

~~0.00% for the purposes of the Loan Documents;~~

~~"Benchmark Replacement Adjustment" means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any setting of such Unadjusted Benchmark Replacement:~~

~~(a) for purposes of clause (a) of the definition of "Benchmark Replacement", an amount equal to 0.11440% (11.440 basis points); and~~

~~(b) for purposes of clause (b) of the definition of "Benchmark Replacement";~~

~~the spread adjustment or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Agent and Administrative Borrower, in each case, giving due consideration to (i) any selection or recommendation by the Relevant Governmental Body at such time for a replacement rate, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date such rate, or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the then-current Benchmark, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such~~

spread adjustment, for ~~the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated~~ such alternate
rate for U.S. dollar

denominated syndicated or bilateral credit facilities at such time; provided, that, if the Benchmark Replacement as determined as provided above would be less than zero, then the Benchmark Replacement shall be deemed to be zero.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the ~~definition of "Business Day", the~~ timing and frequency of determining rates and making payments of interest, prepayment provisions~~<>~~ and other technical, administrative or operational matters) that Agent reasonably decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Agent in a manner substantially consistent with market practice (or, if Agent decides that adoption of any portion of such market practice is not administratively feasible or if Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as Agent decides is reasonably necessary in connection with the administration of ~~any Loan Document~~ this Agreement).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) ~~<or (b)>~~ of the definition of "Benchmark Transition Event," the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the ~~administrator of the~~ Benchmark Administrator (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide such Benchmark (or such component thereof);

(b) in the case of clause ~~<~~ of the definition of "Benchmark Transition Event~~<>~~", the first date ~~<of the public>~~ on which the Benchmark has been determined and announced by the regulatory supervisor for the Benchmark Administrator to be no longer representative of underlying markets; provided, that such non-representativeness will be determined by reference to the most recent statement or publication ~~<of information>~~ referenced

~~<therein; or>~~ in such clause (b) and even if the Benchmark continues to be provided on such date.

~~<(c) in the case of an Early Opt-in Election, the date specified in writing by Agent to a Lenders and Administrative Borrower.>~~

~~<For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.>~~

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

~~<(a)>~~ a public statement or publication of information by or on behalf of the

~~administrator of~~ Benchmark Administrator or a regulatory supervisor for the Benchmark ~~<or the published component used in the calculation thereof>~~ Administrator announcing that ~~<such administrator>~~ (a) the Benchmark Administrator has ceased or will cease to provide ~~<such>~~ the Benchmark ~~<or such component thereof>~~, ~~>~~ permanently or indefinitely ~~<provided that, at the~~

~~time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof); or~~
(b) the Benchmark is no longer representative.

"Benchmark Unavailability Period" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark and solely to the extent that the Benchmark has not been replaced with a Benchmark Replacement, the period (a) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the Benchmark for all purposes hereunder in accordance with Section 2.12(d) and (b) ending at the time that a Benchmark Replacement has replaced the Benchmark for all purposes hereunder pursuant to Section 2.12(d).

~~<(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board of Governors of the Federal Reserve System>, the Federal Reserve Bank of New York, <an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof); or>~~

~~<(c) a public statement or publication of information >by the regulatory supervisor for the <administrator of the Benchmark (or the published component used in the calculation thereof) announcing that such Benchmark (or such component thereof) is no longer representative.>~~

"Beneficial Ownership Certification" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"Benefit Plan" means a "defined benefit plan" (as defined in Section 3(35) of ERISA) for which any Loan Party or any of its Subsidiaries or ERISA Affiliates has been an "employer" (as defined in Section 3(5) of ERISA) within the past six years.

"BHC Act Affiliate" of a Person means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such Person.

"Board of Directors" means, as to any Person, the board of directors (or comparable managers) of such Person, or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

basis consistent with Borrowers' historical accounting practices) of Eligible Raw Material Inventory (such determination may be made as to different categories of Eligible Raw Material Inventory based upon the Net Recovery Percentage applicable to such categories) at such time, plus

(iv) the least of (1) \$25,000,000, (2) 70% of the value (calculated at the lower of cost or market on a basis consistent with Borrowers' historical accounting practices) of Eligible In-Transit Inventory consisting of finished goods, and (3) the product of 85% multiplied by the Net Recovery Percentage identified in the most recent Acceptable Appraisal of Inventory, multiplied by the value (calculated at the lower of cost or market on a basis consistent with Borrowers' historical accounting practices) of Eligible In-Transit Inventory consisting of finished goods (such determination may be made as to different categories of finished goods Inventory based upon the Net Recovery Percentage applicable to such categories) at such time, minus

(d) the aggregate amount of Reserves, if any, established by Agent from time to time under Section 2.1(c) of this Agreement.

"Borrowing Base Certificate" means a certificate substantially in the form of Exhibit B-1 to this Agreement, which such form of Borrowing Base Certificate may be amended, restated, supplemented or otherwise modified from time to time (including without limitation changes to the format thereof), as approved by Agent in Agent's sole discretion.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the state of Illinois ~~except that, if a determination of a Business Day shall relate to a LIBOR Loan, the term "Business Day" also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market~~.

"Capital Expenditures" means, with respect to any Person for any period, the amount of all expenditures by such Person and its Subsidiaries during such period that are capital expenditures as determined in accordance with GAAP, whether such expenditures are paid in cash or financed, but excluding, without duplication (a) with respect to the purchase price of assets that are purchased substantially contemporaneously with the trade-in of existing assets during such period, the amount that the gross amount of such purchase price is reduced by the credit granted by the seller of such assets for the assets being traded in at such time,

(b) expenditures made during such period to consummate one or more Permitted Acquisitions, and (c) expenditures during such period that, pursuant to a written agreement, are reimbursed by a third Person (excluding any Loan Party or any of its Affiliates).

"Capitalized Lease Obligation" means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

"Capital Lease" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"Cash Equivalents" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date

"Covered Entity" means any of the following:

(a) a "covered entity" as that term is defined in, and interpreted in

accordance with, 12 C.F.R. § 252.82(b);

(b) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(c) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Covered Party" has the meaning specified therefor in Section 17.15 of this

Agreement.

"Customs Brokers" shall mean the persons listed on Schedule C-2 hereto or such

other person or persons as may be selected by Administrative Borrower after the date hereof and after written notice by Administrative Borrower to Agent who are reasonably acceptable to Agent to handle the receipt of Inventory within the United States or to clear Inventory through the Bureau of Customs and Border Protection or other domestic or foreign export control authorities or otherwise perform part of entry services to process Inventory imported by a Borrower from outside the United States (such persons sometimes being referred to herein individually as a "Customs Broker"), provided, that, as to each such person, (a) Agent shall have received a customs broker agreement by such person in favor of Agent (in form and substance satisfactory to Agent) duly authorized, executed and delivered by such person, (b) such agreement shall be in full force and effect and (c) such person shall be in compliance in all material respects with the terms thereof.

~~<"Daily One Month LIBOR" means, as to any day, the rate per annum as published by ICE Benchmark Administration Limited (or any successor or other commercially available source of the London interbank offered rate as Lender may designate from time to time) as of 11:00 a.m., London time, on such day (or, for any day that is not a Business Day, the immediately preceding Business Day) for US dollar deposits for a one month period (and, if any such published rate is below zero, then the rate determined pursuant to this definition shall be deemed to be zero). Each determination of Daily One Month LIBOR shall be made by Lender and shall be conclusive in the absence of manifest error.>~~

"Daily Simple SOFR" means, for any day ~~<(a "SOFR" with the conventions~~ for this rate (which will include a lookback) being established by Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining "Daily Simple SOFR" for syndicated business loans; provided, that if Agent decides that any such convention is not administratively feasible for Agent, then Agent may establish ~~another convention in its reasonable discretion.~~ Rate Day"), a rate per annum equal to SOFR for the day (such day, a "SOFR Determination Day") that is two (2) U.S. Government Securities Business Days prior to (i) if such SOFR Rate Day is a U.S. Government Securities Business Day, such SOFR Rate Day or (ii) if such SOFR Rate Day is not a U.S. Government Securities Business Day, the U.S. Government Securities Business Day immediately preceding such SOFR Rate Date, in each case, as such SOFR is published by the SOFR Administrator on the SOFR

Administrator's Website; provided, that, if Daily Simple SOFR determined as provided above would be less than 0.00%, then Daily Simple SOFR shall be deemed to be 0.00%. If by 5:00

p.m. (New York City time) on the second (2nd) U.S. Government Securities Business Day immediately following any SOFR Determination Day, SOFR in respect of such SOFR Determination Day has not been published on the SOFR Administrator's Website and a Benchmark Replacement Date with respect to Daily Simple SOFR has not occurred, then SOFR for such SOFR Determination Day will be SOFR as published in respect of the first preceding

U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; provided that any SOFR determined pursuant to this sentence shall be utilized for purposes of calculation of Daily Simple SOFR for no more than three (3) consecutive SOFR Rate Days. Any change in Daily Simple SOFR due to a change in SOFR shall and including the effective date of such change in SOFR without notice to Administrative Borrower.

"Default" means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"Defaulting Lender" means any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies Agent and Administrative Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable Default or Event of Default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to Agent, Issuing Bank, or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified any Borrower, Agent or Issuing Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable Default or Event of Default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by Agent or Administrative Borrower, to confirm in writing to Agent and Administrative Borrower that it will comply with its prospective funding obligations hereunder (provided, that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by Agent and Administrative Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of any Insolvency Proceeding, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action; provided, that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with

"Dollars" or "\$" means United States dollars.

"Domestic Subsidiary" means any Subsidiary of any Loan Party that is not a Foreign Subsidiary.

"Drawing Document" means any Letter of Credit or other document presented for purposes of drawing under any Letter of Credit, including by electronic transmission such as SWIFT, electronic mail, facsimile or computer generated communication.

~~<"Early Opt-in Election" means, if the then current Benchmark is USD LIBOR, the occurrence of:>~~

~~<(a) a notification by Agent to (or the request by Administrative Borrower to Agent to notify) each of the other parties hereto that at least five currently outstanding Dollar denominated syndicated or bilateral credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark interest rate, and>~~

~~<(b) the joint election by Agent and Administrative Borrower to trigger a fallback from USD LIBOR and the provision by Lender of written notice of such election to Administrative Borrower.>~~

"Earn-Outs" means unsecured liabilities of a Loan Party arising under an agreement to make any deferred payment as a part of the Purchase Price for a Permitted Acquisition, including performance bonuses or consulting payments in any related services, employment or similar agreement, in an amount that is subject to or contingent upon the revenues, income, cash flow or profits (or the like) of the target of such Permitted Acquisition.

"EBITDA" means, with respect to any fiscal period and with respect to Borrowers determined, in each case, on a consolidated basis in accordance with GAAP:

(a) the consolidated net income (or loss),

minus

(b) without duplication, the sum of the following amounts for such period to the extent included in determining consolidated net income (or loss) for such period:

(i) unusual or non-recurring gains, and

(ii) interest income,

plus

(c) without duplication, the sum of the following amounts for such period to the extent deducted in determining consolidated net income (or loss) for such period:

(i) non-cash unusual or non-recurring losses,

(a) EBITDA for such period minus Unfinanced Capital Expenditures made (to the extent not already incurred in a prior period) or incurred during such period, to (b) Fixed Charges for such period.

For the purposes of calculating Fixed Charge Coverage Ratio for any Reference Period, if at any time during such Reference Period (and after the Closing Date), any Loan Party or any of its Subsidiaries shall have made a Permitted Acquisition, Fixed Charges and Unfinanced Capital Expenditures for such Reference Period shall be calculated after giving *pro forma* effect thereto or in such other manner acceptable to Agent as if any such Permitted Acquisition occurred on the first day of such Reference Period.

"Flexsteel" has the meaning assigned to such term in the preamble hereto.

~~<"Floor" means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD LIBOR.>~~

"Flow of Funds Agreement" means a flow of funds agreement, dated as of even date with this Agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by Borrowers and Agent.

"Foreign Lender" means any Lender or Participant that is not a United States person within the meaning of IRC section 7701(a)(30).

"Foreign Subsidiary" means any direct or indirect subsidiary of any Loan Party that is organized under the laws of any jurisdiction other than the United States, any state thereof or the District of Columbia.

"FSHC" means any direct or indirect Domestic Subsidiary that holds no material assets other than the equity of one or more direct or indirect Foreign Subsidiaries that are CFCs.

"Funded Indebtedness" means, as of any date of determination, all Indebtedness for borrowed money or letters of credit of Borrowers, determined on a consolidated basis in accordance with GAAP, including, in any event, but without duplication, with respect to the Loan Parties and their Subsidiaries, the Revolver Usage, and the amount of their Capitalized Lease Obligations.

"Funding Date" means the date on which a Borrowing occurs.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

"Governing Documents" means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

"Governmental Authority" means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, county, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or

"Letter of Credit Disbursement" means a payment made by Issuing Bank pursuant to a Letter of Credit.

"Letter of Credit Exposure" means, as of any date of determination with respect to any Lender, such Lender's participation in the Letter of Credit Usage pursuant to Section 2.11(g) on such date.

"Letter of Credit Fee" has the meaning specified therefor in Section 2.6(b) of this Agreement.

"Letter of Credit Indemnified Costs" has the meaning specified therefor in Section

2.11(f) of this Agreement.

"Letter of Credit Related Person" has the meaning specified therefor in Section 2.11(f) of this Agreement.

"Letter of Credit Sublimit" means \$5,000,000.

"Letter of Credit Usage" means, as of any date of determination, the sum of

(a) the aggregate undrawn amount of all outstanding Letters of Credit, *plus* (b) the aggregate amount of outstanding reimbursement obligations with respect to Letters of Credit which remain unreimbursed or which have not been paid through a Revolving Loan.

~~"LIBOR > Loan" means each portion of a Revolving Loan that bears interest at a rate determined by reference to Daily <One Month LIBOR>~~

~~"LIBOR Rate > Margin" has the meaning set forth in the definition of Applicable~~

~~Margin.~~

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment,

charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

"Line Cap" means, as of any date of determination, the lesser of (a) the Maximum Revolver Amount, and (b) the Borrowing Base as of such date of determination.

"Litigation Reserve" means a reserve equal to the portion of the amount payable in respect of that litigation described in Item 2 of Schedule 4.6(b) that is not fully covered (other than to the extent of customary deductibles) by insurance pursuant to which the insurer has not denied coverage.

"Loan" means any Revolving Loan, Swing Loan, or Extraordinary Advance made (or to be made) hereunder.

"Public Lender" has the meaning specified therefor in Section 17.9(c) of this Agreement.

"Purchase Price" means, with respect to any Acquisition, an amount equal to the aggregate consideration, whether cash, property or securities (including the fair market value of any Equity Interests of Administrative Borrower issued in connection with such Acquisition and including the maximum amount of Earn-Outs), paid or delivered by a Loan Party or one of its Subsidiaries in connection with such Acquisition (whether paid at the closing thereof or payable thereafter and whether fixed or contingent), but excluding therefrom (a) any cash of the seller and its Affiliates used to fund any portion of such consideration, and (b) any cash or Cash Equivalents acquired in connection with such Acquisition.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. § 5390(c)(8)(D).

"QFC Credit Support" has the meaning specified therefor in Section 17.15 of this

Agreement.

"Qualified Equity Interests" means and refers to any Equity Interests issued by

Administrative Borrower (and not by one or more of its Subsidiaries) that is not a Disqualified Equity Interest.

"Real Property," means any estates or interests in real property now owned or hereafter acquired by any Loan Party or one of its Subsidiaries and the improvements thereto.

"Receivable Reserves" means, as of any date of determination, those reserves that Agent deems necessary or appropriate, in its Permitted Discretion and subject to Section 2.1(c), to establish and maintain (including Landlord Reserves for books and records locations and reserves for rebates, discounts, warranty claims, and returns) with respect to the Eligible Accounts or the Maximum Revolver Amount.

"Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"Reference Period" has the meaning set forth in the definition of EBITDA.

~~"Reference Time" with respect to any setting of the then current~~

~~Benchmark means (a) if such Benchmark is USD LIBOR, 11:00 a.m., London time, on the day that is two (2) Business Days preceding the date of such setting, and (b) if such Benchmark time determined by Agent in its reasonable discretion.->~~

"Refinancing Indebtedness" means refinancings, renewals, or extensions of Indebtedness so long as:

(a) such refinancings, renewals, or extensions do not result in an increase in the principal amount of the Indebtedness so refinanced, renewed, or extended, other than by the

(d) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (e) conduct any other actions with respect to Hazardous Materials required by Environmental Laws.

"Replacement Lender" has the meaning specified therefor in Section 2.13(b) of this Agreement.

"Report" has the meaning specified therefor in Section 15.16 of this Agreement.

"Required Availability" means that Excess Availability exceeds \$25,000,000.

"Required Lenders" means, at any time, Lenders having or holding more than 50% of the aggregate Revolving Loan Exposure of all Lenders; provided, that (i) the Revolving Loan Exposure of any Defaulting Lender shall be disregarded in the determination of the Required Lenders, and (ii) at any time there are two or more Lenders (who are not Affiliates of one another or Defaulting Lenders), "Required Lenders" must include at least two Lenders (who are not Affiliates of one another).

"Reserves" means, as of any date of determination, Inventory Reserves, Receivables Reserves, Bank Product Reserves, Litigation Reserve and those other reserves that Agent deems necessary or appropriate, in its Permitted Discretion and subject to Section 2.1(c), to establish and maintain (including reserves with respect to (a) sums that any Loan Party or its

Subsidiaries are required to pay under any Section of this Agreement or any other Loan Document (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay, and (b) amounts owing by any Loan Party or its Subsidiaries to any Person to the extent secured by a Lien on, or trust over, any of the Collateral (other than a Permitted Lien), which Lien or trust, in the Permitted Discretion of Agent likely would have a priority superior to Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for ad valorem, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral) with respect to the Borrowing Base or the Maximum Revolver Amount.

"Resolution Authority" means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"Restricted Payment" means (a) any declaration or payment of any dividend or the making of any other payment or distribution, directly or indirectly, on account of Equity Interests issued by Administrative Borrower or any of its Subsidiaries (including any payment in connection with any merger or consolidation involving Administrative Borrower) or to the direct or indirect holders of Equity Interests issued by Administrative Borrower or any of its Subsidiaries in their capacity as such (other than dividends or distributions payable in Qualified Equity Interests issued by Administrative Borrower or any of its Subsidiaries, or (b) any purchase, redemption, making of any sinking fund or similar payment, or other acquisition or retirement for value (including in connection with any merger or consolidation involving Administrative Borrower) any Equity Interests issued by Administrative Borrower or any of its Subsidiaries, or (c) any making of any payment to retire, or to obtain the surrender of, any America, including those administered by OFAC, the U.S. Department of State, the U.S. Department of Commerce, or through any existing or future executive order, (b) the United Nations Security Council, (c) the European Union or any European Union member state,

(d) ~~Her~~ His Majesty's Treasury of the United Kingdom, or (e) any other Governmental Authority with jurisdiction over any member of Lender Group or any Loan Party or any of their respective Subsidiaries or Affiliates.

"S&P" has the meaning specified therefor in the definition of Cash Equivalents.

"SEC" means the United States Securities and Exchange Commission and any successor thereto.

"Securities Account" means a securities account (as that term is defined in the Code).

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"Settlement" has the meaning specified therefor in Section 2.3(e)(i) of this Agreement.

"Settlement Date" has the meaning specified therefor in Section 2.3(e)(i) of this Agreement.

"SOFR" means a rate ~~per annum~~ equal to the secured overnight financing rate ~~published~~ as administered by the SOFR Administrator ~~on the SOFR Administrator's Website~~.

"SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York, currently at ~~http://www.newyorkfed.org~~ <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

"SOFR Loan" means each portion of a Revolving Loan that bears interest at a rate determined by reference to Daily Simple SOFR.

"SOFR Margin" has the meaning set forth in the definition of Applicable Margin. "Solvent" means, with respect to any Person as of any date of determination, that

(a) at fair valuations, the sum of such Person's debts (including contingent liabilities) is less than all of such Person's assets, (b) such Person is not engaged or about to engage in a business or transaction for which the remaining assets of such Person are unreasonably small in relation to the business or transaction or for which the property remaining with such Person is an unreasonably small capital, (c) such Person has not incurred and does not intend to incur, or reasonably believe that it will incur, debts beyond its ability to pay such debts as they become

"Swing Loan" has the meaning specified therefor in Section 2.3(b) of this Agreement.

"Swing Loan Exposure" means, as of any date of determination with respect to any Lender, such Lender's Pro Rata Share of the Swing Loans on such date.

"Taxes" means any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein, and all interest, penalties or similar liabilities with respect thereto.

"Tax Lender" has the meaning specified therefor in Section 14.2(a) of this Agreement.

"Trademark Security Agreement" has the meaning specified therefor in the Guaranty and Security Agreement.

"UCP" means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication No. 600 and any version or revision thereof accepted by Issuing Bank for use.

"UK Financial Institution" means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"UK Resolution Authority" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

"Unadjusted Benchmark Replacement" means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

"Unfinanced Capital Expenditures" means Capital Expenditures (a) not financed with the proceeds of any incurrence of Indebtedness (other than the incurrence of any Revolving Loans), the proceeds of any sale or issuance of Equity Interests or equity contributions, the proceeds of any asset sale (other than the sale of Inventory in the ordinary course of business) or any insurance proceeds, and (b) that are not reimbursed by a third person (excluding any Loan Party or any of its Affiliates) in the period such expenditures are made pursuant to a written agreement.

"United States" means the United States of America.

"Unused Line Fee" has the meaning specified therefor in Section 2.10(b) of this Agreement.

"U.S. Government Securities Business Day" means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

"U.S. Special Resolution Regimes" has the meaning specified therefor in Section 17.15 of this Agreement.

~~<"USD LIBOR" means the London interbank offered rate for Dollars.>~~

"Voidable Transfer" has the meaning specified therefor in Section 17.8 of this Agreement.

"Wells Fargo" means Wells Fargo Bank, National Association, a national banking association.

"Withdrawal Liability" means liability with respect to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Write-Down and Conversion Powers" means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule ~~<>~~ and

(b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.2. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP; provided, that if Administrative Borrower notifies Agent that Borrowers request an amendment to any provision hereof to eliminate the effect of any Accounting Change occurring after the Closing Date or in the application thereof on the operation of such provision (or if Agent notifies Administrative Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such Accounting Change or in the application thereof, then Agent and Borrowers agree that they will negotiate in good faith amendments to the provisions of this Agreement that are directly affected by such Accounting Change with the intent of having the respective positions of the Lenders and Borrowers after such Accounting Change conform as nearly as possible to their respective positions immediately before such Accounting Change took effect and, until any such amendments have been agreed upon and agreed to by the Required Lenders, the provisions in this Agreement shall be calculated as if no such Accounting Change had occurred. When used herein, the term "financial statements" shall that are reasonably expected to result in any loss, cost, damage, or expense (including reasonable and documented attorneys' fees and legal expenses), such cash collateral to be in such amount as Agent reasonably determines is appropriate to secure such contingent Obligations, (e) the payment or repayment in full in immediately available funds of all other outstanding Obligations (including the payment of any termination amount then applicable (or which would or could become applicable as a result of the repayment of the other Obligations) under Hedge Agreements provided by Hedge Providers) other than (i) unasserted contingent indemnification Obligations, (ii) any Bank Product Obligations (other than Hedge Obligations) that, at such time,

are allowed by the applicable Bank Product Provider to remain outstanding without being required to be repaid or cash collateralized, and (iii) any Hedge Obligations that, at such time, are allowed by the applicable Hedge Provider to remain outstanding without being required to be repaid, and (f) the termination of all of the Commitments of the Lenders. Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record.

1.5. Time References. Unless the context of this Agreement or any other Loan Document clearly requires otherwise, all references to time of day refer to Central standard time or Central daylight saving time, as in effect in Chicago, Illinois on such day. For purposes of the computation of a period of time from a specified date to a later specified date, unless otherwise expressly provided, the word "from" means "from and including" and the words "to" and "until" each means "to and including"; provided, that with respect to a computation of fees or interest payable to Agent or any Lender, such period shall in any event consist of at least one full day.

1.6. Schedules and Exhibits. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

1.7. Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

1.8. Rates. ~~<The interest rate on LIBOR Loans may > be determined by reference to the <Daily One Month LIBOR, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. On March 5, 2021, ICE Benchmark Administration ("IBA"), the administrator of the London interbank offered rate, and the Financial Conduct Authority (the "FCA"), the regulatory supervisor of IBA, announced in public statements (the "Announcements") that the final publication or representativeness date for the London interbank offered rate for Dollars for: (a) 1-week and 2-month tenor settings will be December 31, 2021 and (b) overnight, 1-month, 3-month, 6-month and 12-month tenor settings will be June 30, 2023. No successor administrator for IBA was identified in such Announcements. As a result, it is possible that immediately after such dates, the London interbank offered rate for such tenors may no longer be available or may no longer be~~

deemed a representative reference rate upon which to determine the interest rate on LIBOR Loans or Base Rate Loans (when determined by reference to clause (c) of the definition of Base Rate). There is no assurance that the dates set forth in the Announcements will not change or that IBA or the FCA will not take further action that could impact the availability, composition or characteristics of any London interbank offered rate. Public and private sector industry initiatives have been and continue, as of the date hereof, to be underway to implement new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate or any other then-current Benchmark is no longer available or in certain other circumstances set forth in [Section 2.12\(c\)](#), such [Section 2.12\(c\)](#) provides a mechanism for determining an alternative rate of interest. Agent will notify Administrative Borrower, pursuant to [Section 2.12\(c\)](#), of any change to the reference rate upon which the interest rate on LIBOR Loans and Base Rate Loans (when determined by reference to ~~clause (c) of the definition of Base Rate~~) is based. However, Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, ~~(a)~~ the continuation of, administration of, submission of, calculation of or any other matter related to ~~the London interbank offered rate or other~~ [Daily Simple SOFR or any other Benchmark, any component definition thereof or](#) rates [referred to](#) in the definition ~~of "Daily One Month LIBOR"~~ [thereof](#), or with respect to any alternative, successor or replacement rate thereto (including any then-current Benchmark or any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement), as it may or may not be adjusted pursuant to [Section 2.12\(c\)](#), will be similar to, or produce the same value or economic equivalence of, ~~Daily One Month LIBOR or any other Benchmark,~~ or have the same volume or liquidity as ~~did the London interbank offered rate,~~ [Daily Simple SOFR](#) or any other Benchmark, prior to its discontinuance or unavailability, or ~~(b)~~ the effect, implementation or composition of any Benchmark Replacement Conforming Changes. Agent and its ~~Affiliates~~ [affiliates](#) or other related entities may engage in transactions that affect the calculation of ~~a Benchmark~~ [Daily Simple SOFR](#), any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto and such transactions may be adverse to a Borrower. Agent may select information sources or services in its [reasonable](#) discretion to ascertain ~~any~~ [Daily Simple SOFR, or any other](#) Benchmark, any component definition thereof or rates ~~referenced~~ [referred to](#) in the definition thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to any Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

2. LOANS AND TERMS OF PAYMENT.

2.1. Revolving Loans.

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Revolving Lender agrees (severally, not jointly or jointly and severally) to make revolving loans ("Revolving Loans") to Borrowers in an amount at any one time outstanding not to exceed *the lesser of*:

(including Lender Group Expenses)) in full on the Maturity Date or, if earlier, on the date on which the Obligations (other than the Bank Product Obligations) become due and payable pursuant to the terms of this Agreement. Borrowers agree that their obligations contained in the first sentence of this Section 2.5(a) shall survive payment or satisfaction in full of all other Obligations.

(b) Any Lender may request that any portion of its Commitments or the Loans made by it be evidenced by one or more promissory notes. In such event, Borrowers shall execute and deliver to such Lender the requested promissory notes payable to the order of such Lender in a form furnished by Agent and reasonably satisfactory to Borrowers. Thereafter, the portion of the Commitments and Loans evidenced by such promissory notes and interest thereon shall at all times be represented by one or more promissory notes in such form payable to the order of the payee named therein.

2.6. Interest Rates and Letter of Credit Fee:

Rates, Payments, and Calculations.

(a) Interest Rates. Except as provided in Section 2.6(c) and Section 2.12(c), all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest at the Applicable Rate.

(b) Letter of Credit Fee. Borrowers shall pay Agent (for the ratable benefit of the Revolving Lenders), a Letter of Credit fee (the "Letter of Credit Fee") (which fee shall be in addition to the fronting fees and commissions, other fees, charges and expenses set forth in Section 2.11(k)) that shall accrue at a *per annum* rate equal to the ~~LIBOR Rate~~ SOFR Margin

~~times the~~ times the average amount of the Letter of Credit Usage during the immediately preceding month.

(c) Default Rate. (i) Automatically upon the occurrence and during the continuation of an Event of Default under Section 8.4 or 8.5 and (ii) upon the occurrence and during the continuation of any other Event of Default (other than an Event of Default under Section 8.4 or 8.5), at the direction of Agent or the Required Lenders, and upon written notice by Agent to Borrowers of such direction (provided, that such notice shall not be required for any Event of Default under Section 8.1), (A) all Loans and all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest at a *per annum* rate equal to two percentage points above the *per annum* rate otherwise applicable thereunder, and (B) the Letter of Credit Fee shall be increased to two percentage points above the *per annum* rate otherwise applicable hereunder.

(d) Payment. Except to the extent provided to the contrary in Section 2.10, or Section 2.11(k), (i) all interest and all other fees payable hereunder or under any of the other Loan Documents (other than Letter of Credit Fees) shall be due and payable, in arrears, on the first day of each month, (ii) all Letter of Credit Fees payable hereunder, and all fronting fees and all commissions, other fees, charges and expenses provided for in Section 2.11(k) shall be due and payable, in arrears, on the first Business Day of each month, and (iii) all costs and expenses payable hereunder or under any of the other Loan Documents, and all other Lender Group Expenses shall be due and payable on (x) with respect to Lender Group Expenses outstanding as of the Closing Date, the Closing Date, and (y) otherwise, the earlier of (A) the first day of the month following the date on which the applicable costs, expenses, or Lender Group Expenses were first incurred, or (B) the date on which demand therefor is made by Agent (it being acknowledged and agreed that any charging of such costs, expenses or Lender Group Expenses to the Loan Account pursuant to the provisions of the following

sentence shall be deemed to constitute a demand for payment thereof for the purposes of this subclause (y)). Borrowers hereby authorize Agent, from time to time without prior notice to Borrowers, to charge to the Loan Account (A) on the first day of each month, all interest accrued during the prior month on the Revolving Loans hereunder, (B) on the first Business Day of each month, all Letter of Credit Fees accrued or chargeable hereunder during the prior month, (C) as and when incurred or accrued, all fees and costs provided for in [Section 2.10\(a\)](#) or (c), (D) on the first day of each month, the Unused Line Fee accrued during the prior month pursuant to [Section 2.10\(b\)](#), (E) as and when due and payable, all other fees payable hereunder or under any of the other Loan Documents, (F) on the Closing Date and thereafter as and when incurred or accrued, all other Lender Group Expenses, and (G) as and when due and payable all other payment obligations payable under any Loan Document or any Bank Product Agreement (including any amounts due and payable to the Bank Product Providers in respect of Bank Products). All amounts (including interest, fees, costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any other Loan Document or under any Bank Product Agreement) charged to the Loan Account shall thereupon constitute Revolving Loans hereunder, shall constitute Obligations hereunder, and shall accrue interest at the Applicable Rate.

(e) **Computation.** All interest and fees chargeable under the Loan Documents shall be computed on the basis of a 360 day year, in each case, for the actual number of days elapsed in the period during which the interest or fees accrue. The interest rate on non-contingent Obligations shall increase or decrease by an amount equal to each increase or decrease in Daily ~~<One Month LIBOR>~~ [Simple SOFR](#) in the case of ~~<LIBOR>~~ [SOFR](#) Loans effective on the date of any change in Daily ~~<One Month LIBOR>~~ [Simple SOFR](#), and if at any time there are Base Rate Loans, an amount equal to each increase or decrease in the Base Rate effective on the date of any change in the Base Rate.

(f) **Intent to Limit Charges to Maximum Lawful Rate.** In no event shall the interest rate or rates payable under this Agreement, *plus* any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Borrowers and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; *provided*, that anything contained herein to the contrary notwithstanding, if such rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, *ipso facto*, as of the date of this Agreement, Borrowers are and shall be liable only for the payment of such maximum amount as is allowed by law, and payment received from Borrowers in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.7. **Crediting Payments.** The receipt of any payment item by Agent shall not be required to be considered a payment on account unless such payment item is a wire transfer of immediately available funds made to Agent's Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented month from and after the Closing Date up to the first day of the month prior to the date the Obligations are paid in full and on the date on which the Obligations are paid in full.

(c) **Field Examination and Other Fees.** Subject to any limitations set forth in [Section 5.7\(c\)](#), Borrowers shall pay to Agent, field examination, appraisal, and valuation fees and charges, as and when incurred or chargeable, as follows (i) ~~<a fee of \$1,000 per day, per examiner>~~ [the per diem charge at Wells Fargo's then standard rate for examiners in the field and office](#), *plus* out-of-pocket expenses (including travel, meals, and lodging) for each field

examination of any Loan Party or its Subsidiaries performed by or on behalf of Agent, and (ii) the fees, charges or expenses paid or incurred by Agent if it elects to employ the services of one or more third Persons to appraise the Collateral, or any portion thereof, or to assess any Loan Party's or its Subsidiaries' business valuation.

2.11. Letters of Credit.

(a) Subject to the terms and conditions of this Agreement, upon the request of Borrowers made in accordance herewith, and prior to the Maturity Date, Issuing Bank agrees to issue a requested standby Letter of Credit or a sight commercial Letter of Credit for the account of Borrowers. By submitting a request to Issuing Bank for the issuance of a Letter of Credit, Borrowers shall be deemed to have requested that Issuing Bank issue the requested Letter of Credit. Each request for the issuance of a Letter of Credit, or the amendment or extension of any outstanding Letter of Credit, shall be (i) irrevocable and made in writing by an Authorized Person, (ii) delivered to Agent and Issuing Bank via telefacsimile or other electronic method of transmission reasonably acceptable to Agent and Issuing Bank and reasonably in advance of the requested date of issuance, amendment, or extension, and (iii) subject to Issuing Bank's authentication procedures with results satisfactory to Issuing Bank. Each such request shall be in form and substance reasonably satisfactory to Agent and Issuing Bank and (i) shall specify (A) the amount of such Letter of Credit, (B) the date of issuance, amendment, or extension of such Letter of Credit, (C) the proposed expiration date of such Letter of Credit, (D) the name and address of the beneficiary of the Letter of Credit, and (E) such other information (including, the conditions to drawing, and, in the case of an amendment or extension, identification of the Letter of Credit to be so amended or extended) as shall be necessary to prepare, amend, or extend such Letter of Credit, and (ii) shall be accompanied by such Issuer Documents as Agent or Issuing Bank may request or require, to the extent that such requests or requirements are consistent with the Issuer Documents that Issuing Bank generally requests for Letters of Credit in similar circumstances. Issuing Bank's records of the content of any such request will be conclusive. Anything contained herein to the contrary notwithstanding, Issuing Bank may, but shall not be obligated to, issue a Letter of Credit that supports the obligations of a Loan Party or one of its Subsidiaries in respect of (x) a lease of real property to the extent that the face amount of such Letter of Credit exceeds the highest rent (including all rent-like charges) payable under such lease for a period of one year, or (y) an employment contract to the extent that the face amount of such Letter of Credit exceeds the highest compensation payable under such contract for a period of one year.

with the Letter of Credit Collateralization provision (whether or not the Revolver Commitments have terminated, an Overadvance exists or the conditions in Section 3 are satisfied).

(o) Unless otherwise expressly agreed by Issuing Bank and Borrowers when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the UCP shall apply to each commercial Letter of Credit.

(p) Issuing Bank shall be deemed to have acted with due diligence and reasonable care if Issuing Bank's conduct is in accordance with Standard Letter of Credit Practice or in accordance with this Agreement.

(q) In the event of a direct conflict between the provisions of this Section 2.11

and any provision contained in any Issuer Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.11 shall control and govern.

(r) The provisions of this Section 2.11 shall survive the termination of this Agreement and the repayment in full of the Obligations with respect to any Letters of Credit that remain outstanding.

(s) At Borrowers' costs and expense, Borrowers shall execute and deliver to Issuing Bank such additional certificates, instruments and/or documents and take such additional action as may be reasonably requested by Issuing Bank to enable Issuing Bank to issue any Letter of Credit pursuant to this Agreement and related Issuer Document, to protect, exercise and/or enforce Issuing Banks' rights and interests under this Agreement or to give effect to the terms and provisions of this Agreement or any Issuer Document. Each Borrower irrevocably appoints Issuing Bank as its attorney-in-fact and authorizes Issuing Bank, without notice to Borrowers, to execute and deliver ancillary documents and letters customary in the letter of credit business that may include but are not limited to advisements, indemnities, checks, bills of exchange and issuance documents. The power of attorney granted by the Borrowers is limited solely to such actions related to the issuance, confirmation or amendment of any Letter of Credit and to ancillary documents or letters customary in the letter of credit business. This appointment is coupled with an interest.

2.12. Special Provisions Applicable to ~~<LIBOR Loans>~~ Daily Simple SOFR.

(a) ~~<The>~~ Daily ~~<One Month LIBOR>~~ Simple SOFR may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional ~~<or increased costs to such Lender of maintaining or obtaining any eurodollar deposits>~~ or increased costs (other than Taxes which shall be governed by Section 16), in each case, due to changes in applicable law, ~~<including>~~ or pursuant to any ~~<Changes>~~ Change in Law ~~<and changes>~~ or change in the reserve requirements imposed by the Board of Governors, which additional or increased costs would increase the cost of funding or maintaining loans bearing interest at ~~<the~~

~~>~~ Daily ~~<One Month LIBOR>~~ Simple SOFR. In any such event, the affected Lender shall give Borrowers and Agent notice of such a determination and adjustment and Agent promptly shall

transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Borrowers may, by notice to such affected Lender (A) require such Lender to furnish to Borrowers a statement setting forth in reasonable detail the basis for adjusting such Daily ~~<One Month LIBOR>~~ Simple SOFR and the method for determining the amount of such adjustment, or

(B) repay the ~~<LIBOR Rate>~~ SOFR Loans, in each case, of such Lender with respect to which such adjustment is made ~~<(together with any amounts due under Section 2.12(b))>~~.

(b) Subject to the provisions set forth in Section 2.12 (~~<c>~~ d) below, in the event that any change in market conditions or any Change in Law shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain ~~<LIBOR Rate>~~ SOFR Loans or to continue such funding or maintaining, or to determine or charge interest rates at ~~<the>~~, Daily ~~<One Month LIBOR>~~ Simple SOFR, such Lender shall give notice of such changed circumstances to Agent and Borrowers and Agent promptly shall transmit the notice to each other Lender and ~~<y>~~ A declare that SOFR Loans will not thereafter be made, such that any request for a SOFR Loan shall be deemed to be a request for a Base Rate Loan unless such Lender's declaration has been withdrawn and (B) require that all outstanding SOFR Loans made by such Lender be converted to Base Rate Loans immediately, and thereafter interest upon the ~~<LIBOR Rate>~~ SOFR Loans of such Lender thereafter shall accrue interest at the rate ~~<then applicable to Base Rate Loans, and (z) interest based on the Daily One Month LIBOR shall not be available until such Lender determines that it would no longer be unlawful or impractical to do so>~~ at the Base Rate in effect from time to time, plus the Applicable Margin.

(c) No Requirement of Matched Funding Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to match fund any Obligation as to which interest accrues at Daily Simple SOFR.

(d) ~~(e)~~ Benchmark Replacement Setting.

(i) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, ~~<if>~~ upon the occurrence of a Benchmark Transition Event ~~<or an Early Opt in Election, as applicable, and its related Benchmark Replacement Date have occurred <prior to the Reference Time in respect of any setting of>~~, Agent and Administrative Borrower may amend this Agreement to replace the then-current Benchmark ~~<, then (a) if>~~ with a Benchmark Replacement ~~<is determined in accordance with clause (a) or (b) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, any Loan Document and (b) if a Benchmark Replacement is determined in connection with an Early Opt in Election, such Benchmark Replacement will replace such Benchmark for all purposes under any Loan Document in respect of any Benchmark setting at or after>~~, Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after <the date notice of such Benchmark Replacement is provided to Lenders without any> Agent has posted such proposed amendment to <any Loan Document, or further action or consent of any other party to, any Loan Document>, all Lenders and Borrower so long

as Agent has not received, by such time, written notice of objection to such ~~<Benchmark Replacement>~~amendment from Lenders comprising the Required Lenders.

(ii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan ~~<Party>~~ Document.

(iii) Notices, Standards for Decisions and Determinations. Agent will promptly notify Administrative Borrower and the Lenders of (a) ~~<any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (b)>~~ the implementation of any Benchmark Replacement ~~<e>~~ and ~~<e>~~ (b) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by Agent or, if applicable ~~<e>~~, any Lender (or group of Lenders) pursuant to this Section 2.12 ~~<e>~~ (d), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action ~~<or any selection>~~, will be conclusive and binding absent manifest error and may be made in ~~<Agent's Permitted Discretion>~~ its or their sole discretion and without consent from any ~~<Loan Party>~~ other party hereto or any other Loan Document, except, in each case, as expressly required pursuant to this Section 2.12(d).

(iv) Benchmark Unavailability Period. Upon Administrative Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, Agent may (a) declare that SOFR Loans will not thereafter be made by Lenders, such that any request for a SOFR Loan from Lenders shall be deemed to be a request for a Base Rate Loan and (b) require that all outstanding SOFR Loans made by Lenders be converted to Base Rate Loans immediately, in which event all outstanding SOFR Loans shall be so converted and shall bear interest at the Base Rate in effect from time to time, plus the Applicable Margin. The Base Rate in effect from time to time plus the Applicable Margin shall replace the then-current Benchmark for any determination of interest hereunder or under any other Loan Document during a Benchmark Unavailability Period.

~~(iv) <London Interbank Offered Rate Benchmark Transition Event>—On March 5, 2021, the ICE Benchmark Administration (the "IBA"), the administrator of the London interbank offered rate, and the Financial Conduct Authority, the regulatory supervisor of the IBA, announced in public stat date for Dollars for (a) 1-week and 2-month London interbank offered rate tenor settings will be December 31, 2021 and (b) overnight, 1-month, 3-month, 6-month and 12-month London interbank offered rate tenor settings will be June 30, 2023. No successor administrator for the IBA was identified in such Announcements. The parties hereto agree and acknowledge that the Announcements resulted in the occurrence of a Benchmark Transition Event with respect to the London interbank offered rate pursuant to the terms of the Lo~~

~~Documents and that any obligation of Agent to notify any parties of such Benchmark Transition Event pursuant to clause (iii) of this Section 2.12(c) shall be deemed satisfied.->~~

~~(d) No Requirement of Matched Funding. Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to <acquire eurodollar deposits to fund or otherwise > match fund any Obligation as to which interest accrues at Daily <One Month LIBOR->~~

2.13. Capital Requirements.

(a) If, after the date hereof, Issuing Bank or any Lender determines that (i) any Change in Law regarding capital, liquidity or reserve requirements for banks or bank holding companies, or (ii) compliance by Issuing Bank or such Lender, or their respective parent bank holding companies, with any guideline, request or directive of any Governmental Authority regarding capital adequacy or liquidity requirements (whether or not having the force of law), has the effect of reducing the return on Issuing Bank's, such Lender's, or such holding companies' capital or liquidity as a consequence of Issuing Bank's or such Lender's commitments, Loans, participations or other obligations hereunder to a level below that which Issuing Bank, such Lender, or such holding companies could have achieved but for such Change in Law or compliance (taking into consideration Issuing Bank's, such Lender's, or such holding companies' then existing policies with respect to capital adequacy or liquidity requirements and assuming the full utilization of such entity's capital) by any amount deemed by Issuing Bank or such Lender to be material, then Issuing Bank or such Lender may notify Borrowers and Agent thereof. Following receipt of such notice, Borrowers agree to pay Issuing Bank or such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 30 days after presentation by Issuing Bank or such Lender of a statement in the amount and setting forth in reasonable detail Issuing Bank's or such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, Issuing Bank or such Lender may use any reasonable averaging and attribution methods. Failure or delay on the part of Issuing Bank or any Lender to demand compensation pursuant to this Section shall not constitute a waiver of Issuing Bank's or such Lender's right to demand such compensation; provided, that Borrowers shall not be required to compensate Issuing Bank or a Lender pursuant to this Section for any reductions in return incurred more than 180 days prior to the date that Issuing Bank or such Lender notifies Borrowers of such Change in Law giving rise to such reductions and of such Lender's intention to claim compensation therefor; provided further, that if such claim arises by reason of the Change in Law that is retroactive, then the 180- day period referred to above shall be extended to include the period of retroactive effect thereof.

(b) If Issuing Bank or any Lender requests additional or increased costs referred to in Section 2.11(l) or Section 2.12(a) or amounts under Section 2.13(a) or sends a notice under Section 2.12(b) relative to changed circumstances (such Issuing Bank or Lender, an "Affected Lender"), then, at the request of Administrative Borrower, such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the

reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 2.11(l), Section 2.12(a) or Section 2.13(a), as applicable, or would eliminate the illegality or impracticality of funding or maintaining ~~LIBOR~~ and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrowers' obligation to pay any future amounts to such Affected Lender pursuant to Section 2.11(l), Section 2.12(a) or Section 2.13(a), as applicable, or to enable Borrowers to obtain ~~LIBOR~~ SOFR Loans, then Borrowers (without prejudice to any amounts then due to such Affected Lender under Section 2.11(l), Section 2.12(a) or Section 2.13(a), as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 2.11(l), Section 2.12(a) or Section 2.13(a), as applicable, or indicates that it is no longer unlawful or impractical to fund or maintain

~~LIBOR~~ SOFR Loans, may designate a different Issuing Bank or substitute a Lender or prospective Lender, in each case, reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's commitments hereunder (a "Replacement Lender"), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and commitments, and upon such purchase by the Replacement Lender, which such Replacement Lender shall be deemed to be "Issuing Bank" or a "Lender" (as the case may be) for purposes of this Agreement and such Affected Lender shall cease to be "Issuing Bank" or a "Lender" (as the case may be) for purposes of this Agreement.

(c) Notwithstanding anything herein to the contrary, the protection of Sections 2.11(l), 2.12, and 2.13 shall be available to Issuing Bank and each Lender (as applicable) regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, judicial ruling, judgment, guideline, treaty or other change or condition which shall have occurred or been imposed, so long as it shall be customary for issuing banks or lenders affected thereby to comply therewith. Notwithstanding any other provision herein, neither Issuing Bank nor any Lender shall demand compensation pursuant to this Section 2.13 if it shall not at the time be the general policy or practice of Issuing Bank or such Lender (as the case may be) to demand such compensation in similar circumstances under comparable provisions of other credit agreements, if any.

2.14. Incremental Facilities.

(a) At any time during the period from and after the Closing Date through but excluding the date that is the fourth year anniversary of the Closing Date, at the option of Borrowers (but subject to the conditions set forth in clause (b) below), the Revolver Commitments and the Maximum Revolver Amount may be increased by an amount in the aggregate for all such increases of the Revolver Commitments and the Maximum Revolver Amount not to exceed the Available Revolver Increase Amount (each such increase, an "Increase"). Agent shall invite each Lender to increase its Revolver Commitments (it being understood that no Lender shall be obligated to increase its Revolver Commitments) in connection with a proposed Increase at the interest margin proposed by Borrowers, and if sufficient Lenders do not agree to increase their Revolver Commitments in connection with such

or willful misconduct of such Agent-Related Person or Lender-Related Person, as the case may be.

17.14. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any ~~EEA~~ Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of

~~an EEA~~ the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by ~~an EEA~~ the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an ~~EEA~~ Affected Financial Institution; and
 - (b) the effects of any Bail-in Action on any such liability, including, if applicable:
-

- (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or
-

other instruments of ownership in such ~~EEA~~ Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of ~~any~~ EEA the applicable Resolution Authority.

17.15. Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Hedge Agreements or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States). In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest,

**FLEXSTEEL INDUSTRIES, INC.
2022 EQUITY INCENTIVE PLAN**

NOTICE OF PERFORMANCE SHARE UNIT GRANT

Unless otherwise defined herein, the terms defined in the Flexsteel Industries, Inc. 2022 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Performance Share Unit Agreement (the "Award Agreement"), which includes the Notice of Performance Share Unit Grant (the "Notice of Grant") and Terms and Conditions of Performance Share Unit Grant, attached hereto as Exhibit A.

To Participant: _____

Flexsteel Industries, Inc., grants you an Award of performance share units ("PSUs"), subject to the terms and conditions of the Plan and this Award Agreement, as follows:

GrantDate:	Performance Period:		
Share Price:	Target # of PSU's:	Vesting Date:	

Subject to any acceleration provisions contained in the Plan or set forth below, the PSUs will vest in accordance with the following schedule:

1. Vesting Schedule

The PSUs are eligible to vest only if certain performance goals, described below, are satisfied. Vesting is subject to continued status as a Service Provider through the applicable vesting date.

(\$'s in Millions)

Metric	Fiscal Year	40% Threshold	100% Target	160% Outstanding	200% Special

Except as provided in Exhibit A, in the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the PSUs, the PSUs and Participant's right to acquire any Shares hereunder will immediately terminate.

2. Forfeiture and Repayment

If you receive or become entitled to receive a payment under this Award Agreement within six months before you cease to be a Service Provider, the Company, in its sole discretion, may require you to forfeit or return the

Award, as the case may be, in the event you: (a) engage in Competitive Activity (as defined below) at any time during your employment or within a two-year period after you cease to be a Service Provider or (b) engage in Improper Use of Confidential Information (as defined below) at any time. The Company also reserves the right to require you to pay back to the Company any amount received under the Award as described in the Company's Incentive Compensation Clawback Policy, as then in effect (the "Clawback Policy"). Further, in no event will you be entitled to an Award under this Award Agreement if you were terminated as a Service Provider for Cause (as defined below) at any time before the payment date of the Award. Any repayment due under this paragraph will be made by you either in the Shares, or in a dollar amount equal to the Fair Market Value of the Shares determined on the date of repayment, you received under the Award. The Administrator, in its discretion, will determine which method of payment is acceptable. The terms of any repayment required under the Clawback Policy will be made in accordance with the Clawback Policy.

"Cause" means, as determined within the sole discretion of the Plan Administrator:

(i) The willful and continued failure of the Participant to perform substantially the Participant's duties as established from time to time by the Company's management (other than any such failure resulting from a disability), after a written demand for substantial performance is delivered to the Participant by the Company's management that specifically identifies the manner in which the management believes that the Participant has not substantially performed the Participant's duties; or

(ii) Dishonesty, fraud, misappropriation of funds, theft relating to the Participant's position, harassment, an act of violence, acts punishable by law, misconduct as described in the Company's Employee Handbook, as amended from time to time, or such other serious misconduct as will be determined by the Administrator to constitute conduct that warrants forfeiture pursuant to the Plan.

"Competitive Activity" means any of the following regardless of whether it is undertaken, directly or indirectly, on your own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, contractor, consultant or otherwise:

(i) Engaging in any business activity, in any geographic market in which the Company is then engaged in business that is competitive with the business of the Company; or

(ii) Hiring or soliciting for employment any person who is then an employee of the Company; or

(iii) Inducing or attempting to induce any person to end his or her employment relationship with the Company; or

(iv) Soliciting business concerning any business (as described in Section (i) above) from any person or entity who is, or who was, a client, customer, prospective client or prospective customer of the Company; or

(v) Taking any action to divert business from, or inducing or attempting to induce any customer or prospective customer or any vendor, supplier or other business relation to cease doing business with the Company.

"Improper Use of Confidential Information" means:

(i) Any use or disclosure of Confidential Information except as required for the performance of your duties as an employee of the Company;

(ii) Any act or omission that directly or indirectly would materially reduce the value of Confidential Information except for such acts or omissions that are required for the performance of your duties as an employee of the Company.

(iii) Notwithstanding anything in Sections (i) or (ii) above, Improper Use of Confidential Information does not include:

(A) any disclosure, use or other act or omission that is expressly authorized in writing, in advance by the Company; or

(B) any required disclosure of Confidential Information by law or legal process, if: (x) you provide prompt notice to the Company in writing, and prior to disclosing any Confidential Information, so that the Company may elect to seek an appropriate protective order to prevent disclosure at the Company's option and expense; and (y) you cooperate with the Company in any efforts to seek a protective order.

For purposes of this definition, "Confidential Information" means any non-public information regarding the Company or any of its owners, directors, representatives, agents, employees, suppliers, vendors, shareholders, members, clients, customers, or other third parties or entities with whom the Company does business and which you have learned or developed in the past as a result of your employment by or association with the Company or which you learn or develop while providing services to the Company. Confidential Information includes, but is not limited to, trade secrets, information about customers, prospective customers, marketing strategies, business strategies, sales strategies, products, services, key personnel, suppliers, pricing, technology, computer software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, forecasts, or planning. All information disclosed to you or to which you obtain access in whatever form, whether originated by you or by others, during the period that you provide services to the Company will be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if you have a reasonable basis to believe it to be Confidential Information. For these purposes, Confidential Information will not include knowledge or information: (i) that is now or subsequently becomes generally publicly known, other than as a direct or indirect result of Improper Use or Disclosure of Confidential Information by you; or (ii) that is independently made available to you in good faith by a third party who has not violated any legal duty or confidential relationship with the Company.

By Participant's signature and the signature of the representative of Flexsteel Industries, Inc. (the "Company") below, Participant and the Company agree that this Award of PSUs is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Performance Share Unit Grant, attached hereto as Exhibit A, all of which are made a part of this document. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

FLEXSTEEL INDUSTRIES, INC.

Signature

By

Print Name

Title

Address:

TERMS AND CONDITIONS OF PERFORMANCE SHARE UNIT GRANT

1. Grant

The Company hereby grants to the individual named in the Notice of Grant (the "Participant") under the Plan an Award of PSUs, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 18(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

2. Company's Obligation to Pay.

Each PSU represents the right to receive a Share on the date it vests. Unless and until the PSUs will have vested in the manner set forth in Sections 3 or 4, Participant will have no right to payment of any such PSUs. Prior to actual payment of any vested PSUs, such PSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any PSUs that vest in accordance with Sections 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 7. Subject to the provisions of Section 4, such vested PSUs shall be paid in whole Shares as soon as practicable after the end of the Performance Period, but in each such case no later than the 15th day of the third month following the end of the Performance Period. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any PSUs payable under this Award Agreement.

3. Vesting Schedule

Except as provided in Section 4, and subject to Section 5, the PSUs awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. PSUs scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

4. Administrator Discretion

The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested PSUs at any time, subject to the terms of the Plan. If so accelerated, such PSUs will be considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 4 shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A.

Notwithstanding anything in the Plan or this Award Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the PSUs is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated PSUs will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated PSUs will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the PSUs will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Award Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the PSUs provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply.

Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture upon Termination of Status as a Service Provider

The balance of the PSUs that have not vested as of the time of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares hereunder will immediately terminate. However, if the Participant's status as a Service Provider is terminated (i) as a result of death, (ii) as a result of Disability, or (iii) for other than Cause, on or after reaching a minimum age of 55 and a minimum length of service of 10 years (such service requirement need not be continuous), the Participant will be entitled to receive after the completion of the Performance Period a pro rata portion of the Award based on the number of days Participant served as a Service Provider during the Performance Period.

6. Death of Participant

Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes

Participant acknowledges that, regardless of any action taken by the Company, the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the PSUs, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by the Company or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant; (ii) Participant's and, to the extent required by the Company, the Company's fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the PSUs or sale of Shares; and (iii) any other Company taxes the responsibility for which Participant has, or has agreed to bear, with respect to the PSUs (or settlement thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Company. Participant further acknowledges that the Company does not (A) make any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the PSUs, including, but not limited to, the grant, vesting or settlement of the PSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) make any commitment to and is under any obligation to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the Company may be required to withhold or account for Tax Obligations in more than one jurisdiction.

Pursuant to such procedures as the Administrator may specify from time to time, the Company may withhold the amount required to be withheld for the payment of Tax Obligations (the "Withholding Obligations"). The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Withholding Obligations, in whole or in part (without limitation), if permissible by applicable local law, by: (i) paying cash in U.S. dollars, (ii) having the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Net Share Withholding"), (iii) withholding the amount of such Withholding Obligations from

Participant's wages or other cash compensation paid to Participant by the Company, (iv) delivering to the Company Shares that Participant owns and that already have vested with a fair market value equal to the Withholding Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (v) selling a sufficient number of such Shares otherwise deliverable to Participant, through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Sell to Cover"), (vi) such other means as the Administrator deems appropriate, or (vii) any combination of the foregoing methods of payment. If the Withholding Obligations are satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Withholding Obligations. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Withholding Obligations by Net Share Withholding. If Net Share Withholding is the method by which such Withholding Obligations are satisfied, the Company will not withhold on a fractional Share basis to satisfy any portion of the Withholding Obligations and, unless the Company determines otherwise, no refund will be made to Participant for the value of the portion of a Share, if any, withheld in excess of the Withholding Obligations. If a Sell to Cover is the method by which Withholding Obligations are satisfied, Participant agrees that as part of the Sell to Cover, additional Shares may be sold to satisfy any associated broker or other fees. Only whole Shares will be sold pursuant to a Sell to Cover. Any proceeds from the sale of Shares pursuant to a Sell to Cover that are in excess of the Withholding Obligations and any associated broker or other fees will be paid to Participant in accordance with procedures the Company may specify from time to time.

Participant is advised to review with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of the transactions contemplated by this Award Agreement.

For clarification purposes, in no event will the Company issue Participant any Shares unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant's Withholding Obligations. If Participant fails to make satisfactory arrangements for the payment of such Withholding Obligations hereunder at the time any applicable PSUs otherwise are scheduled to vest pursuant to this Award Agreement or Participant's Withholding Obligations otherwise become due, Participant permanently will forfeit such PSUs to which Participant's Withholding Obligation relates and any right to receive Shares thereunder and such PSUs will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may permanently refuse to issue or deliver the Shares if such Withholding Obligations are not delivered at the time they are due.

8. Rights as Stockholder

Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service

PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE PERFORMANCE-BASED RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF PERFORMANCE-BASED RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Address for Notices.

Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Flexsteel Industries, Inc., 385 Bell Street, Dubuque, Iowa 52001-0877 or at such other address as the Company may hereafter designate in writing.

11. Grant is Not Transferable.

Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Binding Agreement

Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

13. Additional Conditions to Issuance of Stock

If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

14. Plan Governs

This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan

will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

15. Administrator Authority

The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any PSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

16. Electronic Delivery

The Company may, in its sole discretion, decide to deliver any documents related to PSUs awarded under the Plan or future PSUs or Restricted Stock Units that may be awarded under the Plan by electronic means or request or require Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

17. Captions

Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

18. Agreement Severable

In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

19. Modifications to the Award Agreement

This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of PSUs.

20. Amendment, Suspension or Termination of the Plan

By accepting this Award, Participant expressly warrants that he or she has received an Award of PSUs under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

21. Governing Law

This Award Agreement will be governed by the laws of Iowa without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of PSUs or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Iowa and agree that such

litigation will be conducted in the courts of Dubuque County, Iowa, or the federal courts for the United States for the District of Iowa, and no other courts, where this Award of PSUs is made and/or to be performed.

FLEXSTEEL INDUSTRIES, INC.
2022 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT GRANT

Unless otherwise defined herein, the terms defined in the Flexsteel Industries, Inc. 2022 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Unit Agreement (the "Award Agreement"), which includes the Notice of Restricted Stock Unit Grant (the "Notice of Grant") and Terms and Conditions of Restricted Stock Unit Grant, attached hereto as Exhibit A.

To Participant: _____

Flexsteel Industries, Inc., grants you an Award of Restricted Stock Units (RSU's), subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Date of Grant:	Number of RSU's
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1. Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or set forth below, the Restricted Stock Units will vest in accordance with the following schedule:

[Insert vesting schedule, e.g.,: One-third (1/3rd) of the Restricted Stock Units will vest on the one (1) year anniversary of the Vesting Commencement Date, and one-third (1/3rd) of the Restricted Stock Units will vest each year thereafter on the same day as the Vesting Commencement Date, subject to Participant continuing to be a Service Provider through each such date.]

2. Forfeiture and Repayment:

If you receive or become entitled to receive a payment under this Award Agreement within six months before you cease to be a Service Provider, the Company, in its sole discretion, may require you to forfeit or return the Award, as the case may be, in the event you: (a) engage in Competitive Activity (as defined below) at any time during your employment or within a two-year period after you cease to be a Service Provider or (b) engage in Improper Use of Confidential Information (as defined below) at any time. The Company also reserves the right to require you to pay back to the Company any amount received under the Award as described in the Company's Incentive Compensation Clawback Policy, as then in effect (the "Clawback Policy"). Further, in no event will you be entitled to an Award under this Award Agreement if you were terminated as a Service Provider for Cause (as defined below) at any time before the payment date of the Award. Any repayment due under this paragraph will be made by you either in the Shares, or in a dollar amount equal to the Fair Market Value of the Shares determined on the date of repayment, you received under the Award. The Administrator, in its discretion, will determine which method of payment is acceptable. The terms of any repayment required under the Clawback Policy will be made in accordance with the Clawback Policy.

"Cause" means, as determined within the sole discretion of the Plan Administrator:

(i) The willful and continued failure of the Participant to perform substantially the Participant's duties as established from time to time by the Company's management (other than any such failure resulting from a disability), after a written demand for substantial performance is delivered to the Participant by

the Company's management that specifically identifies the manner in which the management believes that the Participant has not substantially performed the Participant's duties; or

(ii) Dishonesty, fraud, misappropriation of funds, theft relating to the Participant's position, harassment, an act of violence, acts punishable by law, misconduct as described in the Company's Employee Handbook, as amended from time to time, or such other serious misconduct as will be determined by the Administrator to constitute conduct that warrants forfeiture pursuant to the Plan.

"Competitive Activity" means any of the following regardless of whether it is undertaken, directly or indirectly, on your own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, contractor, consultant or otherwise:

(i) Engaging in any business activity, in any geographic market in which the Company is then engaged in business that is competitive with the business of the Company; or

(ii) Hiring or soliciting for employment any person who is then an employee of the Company; or

(iii) Inducing or attempting to induce any person to end his or her employment relationship with the Company; or

(iv) Soliciting business concerning any business (as described in Section (i) above) from any person or entity who is, or who was, a client, customer, prospective client or prospective customer of the Company; or

(v) Taking any action to divert business from, or inducing or attempting to induce any customer or prospective customer or any vendor, supplier or other business relation to cease doing business with the Company.

"Improper Use of Confidential Information" means:

(i) Any use or disclosure of Confidential Information except as required for the performance of your duties as an employee of the Company;

(ii) Any act or omission that directly or indirectly would materially reduce the value of Confidential Information except for such acts or omissions that are required for the performance of your duties as an employee of the Company.

(iii) Notwithstanding anything in Sections (i) or (ii) above, Improper Use of Confidential Information does not include:

(A) any disclosure, use or other act or omission that is expressly authorized in writing, in advance by the Company; or

(B) any required disclosure of Confidential Information by law or legal process, if: (x) you provide prompt notice to the Company in writing, and prior to disclosing any Confidential Information, so that the Company may elect to seek an appropriate protective order to prevent disclosure at the Company's option and expense; and (y) you cooperate with the Company in any efforts to seek a protective order.

For purposes of this definition, "Confidential Information" means any non-public information regarding the Company or any of its owners, directors, representatives, agents, employees, suppliers, vendors, shareholders, members, clients, customers, or other third parties or entities with whom the Company does business and which you have learned or developed in the past as a result of your employment by or association with the Company or which you learn or develop while providing services to the Company. Confidential Information includes, but is not limited to, trade secrets, information about customers, prospective customers, marketing strategies, business strategies, sales strategies, products, services, key personnel, suppliers, pricing, technology, computer

software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, forecasts, or planning. All information disclosed to you or to which you obtain access in whatever form, whether originated by you or by others, during the period that you provide services to the Company will be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if you have a reasonable basis to believe it to be Confidential Information. For these purposes, Confidential Information will not include knowledge or information: (i) that is now or subsequently becomes generally publicly known, other than as a direct or indirect result of Improper Use or Disclosure of Confidential Information by you; or (ii) that is independently made available to you in good faith by a third party who has not violated any legal duty or confidential relationship with the Company.

In the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the Restricted Stock Units, the Restricted Stock Units and Participant's right to acquire any Shares hereunder will immediately terminate.

By Participant's signature and the signature of the representative of Flexsteel Industries, Inc. (the "Company") below, Participant and the Company agree that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Restricted Stock Unit Grant, attached hereto as Exhibit A, all of which are made a part of this document. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

FLEXSTEEL INDUSTRIES, INC.

Signature

By

Print Name

Title

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant

The Company hereby grants to the individual named in the Notice of Grant (the "Participant") under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 18(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

2. Company's Obligation to Pay

Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Sections 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with Sections 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 8. Subject to the provisions of Section 4, such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within the period sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Award Agreement.

3. Vesting Schedule

Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Restricted Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

4. Administrator Discretion

The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 4 shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A.

Notwithstanding anything in the Plan or this Award Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Award Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided

under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture upon Termination of Status as a Service Provider

The balance of the RSUs that have not vested as of the time of Participant's termination as a Service Provider for any or no reason will be immediately forfeited. However, if the Participant's status as a Service Provider is terminated (i) as a result of death, (ii) as a result of Disability, or (iii) other than for Cause, on or after reaching a minimum age of 55 and a minimum length of service of 10 years (such service requirement need not be continuous), the Participant will be entitled to receive after completion of the Performance Period a pro rata portion of the Award based on the number of days Participant served as a Service Provider during the Performance Period.

6. Dividend Equivalents

During the period prior to vesting (as defined above), dividend equivalents will be credited quarterly as cash, accumulating until vesting and payout at the same time as the underlying Award. Any credited dividend equivalents shall thereafter be subject to the terms of this Award Agreement to the same extent as the Award giving rise to the dividend equivalents. Dividend equivalents shall otherwise be considered a part of the Award.

7. Death of Participant

Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Withholding of Taxes

Participant acknowledges that, regardless of any action taken by the Company, the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by the Company or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant; (ii) Participant's and, to the extent required by the Company, the Company's fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Shares; and (iii) any other Company taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Company. Participant further acknowledges that the Company does not (A) make any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) make any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the Company may be required to withhold or account for Tax Obligations in more than one jurisdiction.

Pursuant to such procedures as the Administrator may specify from time to time, the Company may withhold the amount required to be withheld for the payment of Tax Obligations (the "Withholding Obligations"). The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Withholding Obligations, in whole or in part (without limitation), if permissible by applicable local law, by: (i) paying cash in U.S. dollars, (ii) having the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Net Share Withholding"), (iii) withholding the amount of such Withholding Obligations from Participant's wages or other cash compensation paid to Participant by the Company, (iv) delivering to the Company Shares that Participant owns and that already have vested with a fair market value equal to the Withholding Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences), (v) selling a sufficient number of such Shares otherwise deliverable to Participant, through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount that is necessary to meet the withholding requirement for such Withholding Obligations (or such greater amount as Participant may elect if permitted by the Administrator, if such greater amount would not result in adverse financial accounting consequences) ("Sell to Cover"), (vi) such other means as the Administrator deems appropriate, or (vii) any combination of the foregoing methods of payment. If the Withholding Obligations are satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Withholding Obligations. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Withholding Obligations by Net Share Withholding. If Net Share Withholding is the method by which such Withholding Obligations are satisfied, the Company will not withhold on a fractional Share basis to satisfy any portion of the Withholding Obligations and, unless the Company determines otherwise, no refund will be made to Participant for the value of the portion of a Share, if any, withheld in excess of the Withholding Obligations. If a Sell to Cover is the method by which Withholding Obligations are satisfied, Participant agrees that as part of the Sell to Cover, additional Shares may be sold to satisfy any associated broker or other fees. Only whole Shares will be sold pursuant to a Sell to Cover. Any proceeds from the sale of Shares pursuant to a Sell to Cover that are in excess of the Withholding Obligations and any associated broker or other fees will be paid to Participant in accordance with procedures the Company may specify from time to time.

Participant is advised to review with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of the transactions contemplated by this Award Agreement.

For clarification purposes, in no event will the Company issue Participant any Shares unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant's Withholding Obligations. If Participant fails to make satisfactory arrangements for the payment of such Withholding Obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to this Award Agreement or Participant's Withholding Obligations otherwise become due, Participant permanently will forfeit such Restricted Stock Units to which Participant's Withholding Obligation relates and any right to receive Shares thereunder and such Restricted Stock Units will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may permanently refuse to issue or deliver the Shares if such Withholding Obligations are not delivered at the time they are due.

9. Rights as Stockholder

Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Guarantee of Continued Service

PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

11. Address for Notices

Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Flexsteel Industries, Inc., 385 Bell Street, Dubuque, Iowa 52001-0877, or at such other address as the Company may hereafter designate in writing.

12. Grant is Not Transferable

Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

13. Binding Agreement

Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

14. Additional Conditions to Issuance of Stock

If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably

anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

15. Plan Governs

This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

16. Administrator Authority

The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

17. Electronic Delivery

The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. Captions

Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

19. Agreement Severable

In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

20. Modifications to the Award Agreement

This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.

21. Amendment, Suspension or Termination of the Plan

By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant

understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

22. Governing Law

This Award Agreement will be governed by the laws of Iowa without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Iowa and agree that such litigation will be conducted in the courts of Dubuque County, Iowa, or the federal courts for the United States for the District of Iowa, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

Subsidiaries of Flexsteel Industries, Inc.

- DMI Sourcing Company, LLC (Kentucky)
 - Flexsteel Business Consulting (Shenzhen) Co. Ltd.
 - Home Styles Furniture Co., Ltd. (Thailand) (99.99% interest)
 - Representative Office of Flexsteel Industries, Inc. in Ho Chi Minh City (Vietnam)
 - Desert Dreams, Inc. (Iowa)
 - Shelf Company No. 74 (Mexico)
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-164994, , 333-193041, 333-193042, 333-234426, 333-249820, 333-267290, and 333-269433 on Form S-8 of our reports dated August 25, 2023, relating to the consolidated financial statements and financial statement schedule of Flexsteel Industries, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended June 30, 2023.

/s/ Deloitte & Touche LLP

Minneapolis, MN

August 25, 2023

CERTIFICATION

I, Jerald K. Dittmer, certify that:

1. I have reviewed this annual report on Form 10-K of Flexsteel Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit and Ethics Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 25, 2023

/s/ Jerald K. Dittmer

Jerald K. Dittmer
Chief Executive Officer

CERTIFICATION

I, Derek P. Schmidt, certify that:

1. I have reviewed this annual report on Form 10-K of Flexsteel Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit and Ethics Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 25, 2023

/s/ Derek P. Schmidt

Derek P. Schmidt
Chief Financial Officer and Chief Operating Officer

**CERTIFICATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Flexsteel Industries, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Jerald K. Dittmer, Chief Executive Officer, and Derek P. Schmidt, Chief Financial Officer and Chief Operating Officer, of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and;
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

Date: August 25, 2023

/s/ Jerald K. Dittmer
Jerald K. Dittmer
Chief Executive Officer

/s/ Derek P. Schmidt
Derek P. Schmidt
Chief Financial Officer and Chief Operating Officer
