VENDOR COMPLIANCE AGREEMENT
September 24, 2013

Dear Valued Vendor,

Enclosed is Horizon’s updated Vendor Compliance Agreement for your consideration and commitment. It is more critical than ever for us to supply quality products in a timely manner that meet the complex needs of our customer. Your help in supplying quality products and service plays a key role in the success of our company.

Horizon must have a signed vendor compliance agreement before any orders can be placed with your company. Any exceptions to the administrative policies contained in this agreement must be approved in writing. If you have any questions regarding this manual please contact Kim Hysell via email at khysell@horizondesigns.com or via telephone at 308-237-2213 ext. 230.

Thank you for your continued support and for your immediate response to this letter. We look forward to our continued business with you in the coming years.

Sincerely,

Susan C. Bigg
President
Horizon Designs Inc.
(308) 237-2213 ext. 236
I

VENDOR CHECKLIST

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Date</th>
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I have received the Horizon Designs Inc. Vendor Compliance Agreement which contains the following information:

I. Vendor Checklist
II. Contacts
III. Confidentiality
IV. Code of Conduct
V. Quality and Product Safety
VI. Samples
VII. Purchase Order Terms and Conditions
VIII. Packing Requirements
IX. Shipping Instructions
X. ISF Instructions

The above information has been read, understood and forwarded to all concerned departments. I understand that failure to follow these procedures may result in chargebacks.

Signed _____________________________
Title _____________________________
Date _____________________________

Please complete this form and email to khysell@horizondesigns.com
Below lists some key contacts at Horizon Designs Inc. Please use this contact list to answer your questions or obtain additional information.

**Purchasing Department**
Tia Stratton – Merchandising  
Email: tstratton@horizondesigns.com  
Phone # 308-237-2213 ext. 235  
Fax # 308-237-3048

Elizabeth “Libby” Manfull - Merchandising  
Email: emanfull@horizondesigns.com  
Phone # 308-237-2213 ext. 225  
Fax # 308-237-3048

**Distribution**
Deborah Erickson – Distribution Manager  
Email: derickson@horizondesigns.com  
Phone # 308-237-2213 ext. 243  
Fax # 308-237-3048

**Compliance and Regulations**
Kim Hysell – International Trade Specialist  
Email: khysell@horizondesigns.com  
Phone # 308-237-2213 ext. 230  
Fax # 308-237-3048

**Art Department**
Jason Kounovsky - Art Director  
Email: hdiart@aol.com  
Phone # 308-237-2213 ext. 231  
Fax # 308-237-3048

**Vice President of Business Development**
Scott Porter  
Email: sporter@horizondesigns.com  
Phone # 308-237-2213 Ext. 228  
Fax # 308-237-3048

**President**
Susan Bigg  
Email: sbigg@horizondesigns.com  
Phone # 308-237-2213 Ext. 236  
Fax # 308-237-3048
Confidentiality

Vendor is authorized to manufacture or cause to be manufactured products for Horizon Designs Inc., which contain previously existing trademark, character, design, name, symbol or other material owned, copyrighted or licensed to Horizon Designs Inc. Authorization is specifically limited to the manufacturing requested via purchase order and/or written requests for samples.

Vendor acknowledges that all proprietary materials supplied by Horizon Designs Inc. to Vendor, used by Vendor in the manufacturing or design of merchandise for Horizon Designs Inc. belongs exclusively to Horizon Designs Inc. and that Vendor has no right to use proprietary material except as set forth herein. Vendor further agrees that it will do nothing to challenge the ownership or harm the value of such proprietary material.

Vendor agrees that all information obtained from Horizon Designs Inc. shall be deemed CONFIDENTIAL and shall not be disclosed to any unauthorized person(s). In addition, any artwork, ideas, concepts, samples, etc., pertaining to Horizon Designs Inc. shall not be displayed or shared with any other client for the purpose of promoting the Vendor or developing products for others. Vendor will keep all confidential information supplied by Horizon Designs Inc. and Horizon Designs Inc. may at any time request the return of all confidential information.

Vendor acknowledges that use of information, images or samples at trade shows, showrooms, web sites and other digital and printed promotional materials or venues is strictly prohibited and is in violation of our contracts with our clients.

Vendor agrees that any violation of this policy will result in a USD5,000.00 fine that will be deducted by Horizon Designs Inc. from Vendor’s payment or when no payment is due it shall be paid directly to Horizon Designs Inc. by vendor. Payment will be due immediately.
Wherever Horizon Designs Inc. operates around the globe, Horizon is guided by the following code of conduct. Horizon Designs Inc./Suppliers/Contractors/Subcontractors/ and Vendors must adhere to the code principles. We expect teamwork, trust, honesty and mutual respect. In setting forth these guidelines, it is our desire to share our commitment not only to quality products, but to quality business and community relationships as well.

By accepting a Horizon Designs Inc. purchase order and/or any form of payment from Horizon Designs Inc., you as Vendor agree to comply with the following code of conduct and take steps to ensure that all suppliers, contractors, and subcontractors have copies of this code and comply with its requirements.

1. **CHILD LABOR**: Suppliers/Contractors/Subcontractors/Vendors certify that they do not employ child labor. The term “child” refers to person(s) younger than 16 years of age.

2. **SAFETY & HEALTH**: Suppliers/Contractors/Subcontractors/Vendors certify compliance with all applicable federal, state and local government regulations regarding occupational health and safety for their workers, including facilities and protection from exposure to hazardous condition or material.

3. **WORKER INSURANCE**: Suppliers/Contractors/Subcontractors/Vendors certify compliance with all applicable laws providing health insurance, life insurance & worker’s compensation.

4. **FORCED LABOR**: Suppliers/Contractors/Subcontractors/Vendors certify not to use indentured, bonded, forced, prison or slave labor, practices similar to slavery, or labor engaged thru human trafficking

5. **ENVIRONMENT**: Suppliers/Contractors/Subcontractors/Vendors certify compliance with all applicable environmental regulations.

6. **EQUAL OPPORTUNITY**: Suppliers/Contractors/Subcontractors/Vendors certify that they do not discriminate in employment consistent with the laws of the country, province, state or region in which they do business.

7. **DOCUMENTATION & INSPECTION**: Suppliers/Contractors/Subcontractors/Vendors agree to maintain on file such documentation as may be needed to demonstrate compliance with this Certification, and further agree to make those documents available upon request.

8. **WAGES & OVERTIME**: Suppliers/Contractors/Subcontractors/Vendors certify that they pay wages and provide benefits and compensation for overtime in compliance with all applicable laws and regulations.
9. WORKING HOURS: Suppliers/Contractors/Subcontractors/ Vendors certify that working hours do not exceed the legal limits indicated in applicable laws and regulations.

10. DISCIPLINE: Suppliers/Contractors/Subcontractors/ Vendors certify that they do not permit corporal punishment or other mental physical or verbal abuse or coercion. Additionally, Suppliers/Contractors/Subcontractors/ Vendors certify that they do not permit monetary fines for disciplinary action.

11. HARASSMENT: Suppliers/Contractors/Subcontractors/ Vendors certify that they do not permit any form of harassment, including sexual, physical, psychological, or verbal harassment, or other form of mental/physical coercion, abuse, or intimidation.

12. PRODUCT QUALITY AND SAFETY: Suppliers/Contractors/Subcontractors/ Vendors certify all products are safe and fit for the use for which it was manufactured, free of materials that may be injurious to person, free of defects, and adheres to applicable standards, and is of a professional quality, and work as expected and agreed upon.
Horizon Designs Inc. is committed to supplying our customers with only high quality and safe products. As Vendor you acknowledge the great value of goodwill associated with our artwork and our products and agree to the following terms:

A. Quality
a. Vendor agrees to supply goods that meets or exceeds the industry standard of quality material and workmanship.
b. Vendor agrees all goods will be free from defects in design, workmanship, and materials, including without limitation, such defects as could create a hazard to life or property.
c. Vendor agrees that all goods will be suitable for end use.
d. Vendor agrees that all goods will be manufactured, packed for shipment and marked with the country of origin.
e. Vendor agrees that all goods will conform to the specifications, submits and/or pre-production samples approved by Horizon Designs Inc.

B. Safety
a. Vendor agrees that all supplied goods will be in conformity with all USA Federal, State, and Municipal laws including, but not limited to the Consumer Product Safety Improvement Act, the Federal Hazardous Substances Act, the Flammable Fabrics Act, ASTM F963 Standard Consumer Safety Specification on Toy Safety, and Proposition 65.
b. Vendor understands that Horizon regularly tests products for safety and compliance with applicable laws. ALL products intended for children will be tested.
c. Vendor agrees to supply all requested samples to the designated testing company.
d. Vendor’s failure to meet these applicable safety laws will result in cancellation or return of the shipment. All applicable fees will be the responsibility of the Vendor.
e. Any questions regarding the applicable safety standards for products should be directed to Kim Hysell at khysell@horizondesigns.com

C. Country of Origin
a. All products must be accurately labeled with their country of origin.
b. Placement of the country of origin should be determined at the time of sampling.
c. Vendor’s failure to mark goods as requested will result in cancellation or return of the order. All applicable fees will be the responsibility of the Vendor.
d. Any questions regarding origin should be directed to Kim Hysell at khysell@horizondesigns.com
Horizon Designs Inc. will regularly request samples for approval and for testing. It is of utmost important that the Vendor supplies the correct number of requested sample. In the event Vendor is unable to supply the requested samples, then please contact the Horizon buyer for instructions.

A. Pre-Production Samples
   a. Vendor agrees to supply three (3) pre-production samples of each product purchased on a purchase order at no charge. Horizon will from time to time request additional samples and these may be invoiced via a separate debit note. Payment for samples, molds, or set up fees must be approved in writing by the buyer prior to sampling.
   b. Unless otherwise advised by the buyer, Vendor is to ship requested samples to:
      Horizon Designs Inc.
      5308 Parklane Drive, Suite 1
      Kearney, NE 68847
      via UPS Express Freight Collect Account # 6X8386
   c. In the event re-sampling is required due to the vendor’s failure to supply pre-production samples in accordance with our specifications then the new samples must be shipped on the Vendor’s shipping account.

B. Production Samples
   a. Vendor agrees to supply three (3) production samples of each product on a purchase order at no charge. Horizon will from time to time request additional samples and these may be invoiced via a separate debit note issued by the Vendor.
   b. Production samples must come from actual production. These are to be the first pieces produced and are to contain all requested labels and hangtags.
   c. Unless otherwise advised by the buyer, Vendor is to ship requested samples to:
      Horizon Designs Inc.
      5308 Parklane Drive, Suite 1
      Kearney, NE 68847
      via UPS Express Freight Collect Account # 6X8386
   d. Horizon Designs Inc. must review and approve all production samples prior to delivering the goods to the freight forwarder. Vendor understands these terms and agrees to plan accordingly so that they can still meet Horizon’s requested ship date.
   e. Vendor acknowledges and agrees that Horizon will not send payment for the shipment until we have received and confirmed that production is in accordance with the approved pre-production samples.
C. Testing Samples
   a. When a shipment is to be tested, Horizon’s purchase order will contain
      instructions including the required number of samples and the testing
      facility.
   b. Testing samples are to be made of the same materials as production and
      are to contain all hangtags, labels, tracking labels, header cards, and any
      product packaging.

D. Salesman Samples
   a. From time to time Horizon may request additional salesman samples to be
      supplied. Additional samples and these may be invoiced via a separate
      debit note.
   b. Payment for samples, molds, or set up fees must be approved in writing by
      the buyer prior to sampling.
A. **Sale:** Vendor must have a valid purchase order prior to manufacturing or shipping merchandise. The purchase order in combination with this agreement shall become a binding contract. Upon receipt of the order, the Vendor must advise the Buyer within three business days of any term, condition or specification which is not acceptable. Failure to give such notice will be deemed as acceptance of the purchase order and all of the below mentioned terms.

B. **Price.** The purchase order will contain the price as quoted by the Vendor in USD and will include all applicable mold, set up, embroidery, and sampling fees. Upon receipt of the order, the Vendor must advise the Buyer within three business days of any price discrepancies. Failure to give such notice will be deemed as acceptance of the price as stated on the purchase order.

Purchase terms shall be governed by Incoterms 2010 as issued by the International Chamber or Commerce. In such cases where an incoterm is not specified by the Vendor then the term shall automatically be **FOB (Freight on Board).**

C. **Delivery.** Vendor shall book shipment and deliver goods to Horizon’s designated freight forwarder on the date specified on the purchase order. In order to meet this date the Vendor is required to send production samples approximately one week ahead to ensure enough time for delivery and approval of samples prior to delivery to the forwarder. If delivery cannot be made by agreed upon date, Vendor must notify the buyer within reasonable time period before said delivery date, so that other arrangements or a new delivery date can be determined. Horizon will make every effort to get an extended ship date; however, in the event that air freight is required due to the Vendor’s failure to ship on time the cost will be the responsibility of the Vendor.

D. **Ownership Rights.** Vendor recognizes that artwork or designs supplied by Horizon Designs Inc. are the property of Horizon or its customers. These designs are not to be duplicated in any manner. Any quantity of items produced beyond those outlined on purchase orders are to be destroyed. A certificate of destruction and proof of destruction is to be supplied to Horizon Designs Inc. When approved by Horizon Designs Inc. Vendor may ship excess pieces to Buyer’s designated location.
E. **Documentation.** The Vendor shall issue the following documentation:

a. **Commercial Invoice** containing all goods and prices as detailed on the purchase order.

b. **Packing List** detailing all products shipping, including the number of cartons, weight, and dimensions of each product.

c. **Bill of Lading or Airway Bill** containing the correct number of cartons, descriptions, weights, and measurements. The consignee, notify party, and destination port will vary by order. Please see the purchase order for specific instructions. Horizon will not make any payment on the final invoice until receipt of a copy of the Bill of Lading. Please telex release the BOL upon receipt of the payment.

d. **Certificate of Origin** when requested on the purchase order

e. **Visa Certificate** when required.

F. **Purchase Orders.** Vendor agrees to review the purchase order closely and to follow all instructions as outlined on purchase orders submitted by the Buyer. Said instructions to include, but are not limited to, pricing, hangtag and label instructions, documentation, carton marking, and packaging instructions.

G. **Vendor Compliance Agreement.** By acceptance of a Horizon Design’s Inc. purchase order, Vendor confirms they have received and agree to all terms in the Vendor Compliance Agreement including Horizon’s confidentiality statement, code of conduct, sampling requirements, quality and product safety requirements, packing requirements, shipping instructions, and ISF Instructions.

H. **Inspection at Factory:** Vendor shall allow access to Horizon Designs designated representative to inspect factory for compliance with Horizon’s code of conduct.

I. **Inspection of Merchandise.** Horizon Designs Inc. shall have the right to inspect merchandise produced by Vendor at the factory, upon receipt of production samples and upon receipt of the shipment. Factory acknowledges that in the event the instructions and specifications of production are not followed, Horizon Designs Inc. has the right to reject ordered merchandise.
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Packing Requirements

Merchandise packed for Horizon Designs Inc. must meet the following specifications:

1. Maximum weight per carton is 40 pounds (18 kgs).
2. Cartons are to be constructed of heavy weight 2 ply cardboard to manage 40 lbs (Cartons must not crush when stacked).
3. Goods are to be packed in the proper size carton to fit the goods. Cartons must be completely filled and packed tightly however, do not over pack. Cartons must not be bulging. Goods broken or damaged due to improper packing will be charged back to the Vendor.
4. Pack only one SKU per carton unless otherwise requested on the purchase order.
5. Unless otherwise exempted by the buyer, all polybags must be printed with the following warning: “WARNING: to avoid danger of suffocation keep this bag away from babies and children. Do not use in cribs, beds, carriages or playpens. This bag is not a toy”
6. Inner packs must be clearly labeled with the quantity.
7. Cartons must be packed in quantities as specified on the purchase order.
8. Cartons must be labeled or printed according to the instructions on the purchase order.
9. Each lead carton (Carton #1) must contain a packing list enclosed in a protective envelope attached to the outside (Ensure the packing lists are securely attached so that it is not lost in transit). Horizon will supply these packing lists. Please add the weight and dimensions of products and shipment prior to attaching. Please email a copy to derickson@horizondesigns.com (DO NOT ATTACH A FACTORY GENERATED PACKING LIST).
10. When required by our customer, packing instructions may differ from the above. Special packing requirements will be clearly noted on the purchase order. All purchase orders must be reviewed carefully and instructions must be followed.
11. Any questions regarding packing should be directed to Deborah Erickson at derickson@horizondesigns.com.
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Shipping Instructions

A. Horizon Designs’ purchase order will clearly state the following:
   a. Shipping method
   b. Name of the freight forwarder
   c. Consignee
   d. Notify party
   e. Destination Port

   This information will change with each purchase order, therefore you must pay very close attention to the purchase order.

B. When a shipment is departing via ocean freight, please book the shipment four weeks in advance to ensure space on the vessel. Please email a copy of the booking to derickson@horizondesigns.com

C. Upon shipment, the following documents must be submitted to Horizon Designs Inc.:
   a. Commercial Invoice containing all goods and prices as detailed on the purchase order
   b. Packing List detailing all products shipping, including the number of cartons, weight, and dimensions of each product
   c. Bill of Lading or Airway Bill containing the correct number of cartons descriptions, weights, and measurements. The consignee, notify party, and destination port will vary by order. Please see the purchase order for specific instructions
   d. Certificate of Origin when requested on the purchase order
   e. Visa Certificate when required

   Payment for the final balance due on a shipment will not be made until emailed or faxed copies of the required documents have been received by Horizon. Please email copies of all documents to Kim Hysell at khysell@horizondesigns.com

D. Unless otherwise requested on the purchase order, please telex release the bill of Lading on all ocean shipments.
ISF Instructions

Effective January 26, 2009, US Customs and The Department of Homeland Security started requiring all importers in the United States to file 10 data elements into a security filing system. This is called Importer Security Filing (ISF) or 10 plus 2.

The ISF filing, along with the AMS security filing must be filed no later than 24 hours prior to the loading of the vessel. If this is not completed then our shipment will not be allowed to be loaded on to the vessel and will miss the ship date. In addition, US Customs issues very high penalties for failure to comply with this requirement.

In an effort to ensure all of our cargo is shipped on time and no penalties are incurred, Horizon Designs Inc. is implementing the following procedures:

A. All vendors must supply the following information in English on the Importer Security Filing Worksheet for all shipments.
   a. Name and address of the actual manufacturer. This is very important as our goods will not be allowed to be loaded onto the vessel without this information
   b. The name and address of the seller – this should be you.
   c. Name and address of the buyer – Horizon will provide this information
   d. Ship-To name and address – Horizon will provide this information
   e. If it is a full container, you will need to provide the name and address of the container stuffing location
   f. The country of origin
   g. The HTS (Harmonized Tariff Number). Horizon will provide this information

B. Please submit the completed import security filing worksheet directly to the freight forwarder **no later than 72 hours prior to loading the vessel.** Please also email a copy to Kim Hysell @ khySELL@horizondesigns.com and Deborah Erickson @ derICKson@horizondesigns.com.

Please note that it is extremely important that all of these procedures are followed to ensure on time shipments and to avoid potential penalties. In the event Horizon Designs Inc. incurs penalties due to the Vendor’s failure to follow these procedures, the cost will be charged back to the Vendor.