

**ShangriLa Furnishings, Inc / JS Furniture, Inc.**  
**Wholesale Policies and Procedures**

**Resellers / Dealers**  
**North American Operations**

**Setting Up an Account:**

Setting up an initial account with ShangriLa is very easy and straightforward. The first document that is required is your Employer Identification Number (EIN), also known as a Tax Identification ID (Tax ID). This document works to both validate your company as legitimate and serves as our proof to the relevant tax-related powers that your company, as a seller to the general public, is collecting all applicable taxes related to the sales of our product. If not immediately apparent, proof that the buyer is acting on behalf of the company listed on the EIN/Tax ID document will be required.

The second and last document necessary to the start of an account with ShangriLa is a completed and signed Wholesale Account Request Form, which is available from your sales rep if you have not already received one. This document is an agreement between our two companies that the terms and conditions laid out therein will be followed and obeyed by both parties.

Once both of these documents are on hand, ShangriLa will be able to grant the applicant an account with our company.

**Wholesale Account Policy:**

A new reseller's provisional status will last for the first 30 days after ShangriLa approves their account. During the Provisional period, the reseller is eligible for a 10% introductory rate off of ShangriLa's base prices, as opposed to a full account, which receives a rate of 33%. Provisional account holders will receive the same support and assistance that Full accounts receive; the only difference between the two is the pricing each receives.

To become eligible for upgrade to Full account status, the account holder must place an order (or orders) in an amount greater than or equal to the sum of \$8000 with ShangriLa within the first 30 days of account approval. After 30 days, the account is reviewed and evaluated to determine whether or not that amount has been reached. If so, the account is granted Full status and will receive the benefits described above. If not, the account will remain in Provisional status and no retroactive discount will be granted. However, the account is again eligible for upgrade (and the associated benefits) after every subsequent 30-day period should the account holder meet the \$8000 minimum during any one of those periods. In such a case, the 33% discount is only applied to the 30-day

period in which the account holder has exceeded the minimum amount; previous 30-day periods will not be eligible.

At any point after the account is granted Full status, if ShangriLa feels that the account holder is not doing enough business to further warrant the status of Full account, and the 33% rate that goes with it, ShangriLa reserves the right to reevaluate the account and reassign the account to Provisional status at its discretion.

## **Payment Terms and Methods**

### Payment Cycle

Like pricing, payment terms are also dependant on the business being done with ShangriLa. These terms are separate and distinct from the types of account held (Provisional vs. Full). All accounts are subject to the same payment terms. *(Note: Bulk/Container orders may or may not fall under the following cycles, see "Payment Terms by Order Type" below, or your sales rep, for more details).*

For the first 90 days, account holders have two options:

- 1) *Payment upon placement of order.* Payment is due the same day an order is placed with ShangriLa. The order will not be manufactured and/or shipped until payment has been received and verified. This method makes accounting somewhat easier in that there is no possibility of a discrepancy between an order placed and an order manufactured – they are always one in the same.
- 2) *Weekly payments.* Under this payment cycle, the account holder may choose any day during the week on which they would like to be charged for all orders placed during the previous seven days. This simplifies the payment process somewhat as there is only one payment per week, as opposed to many. It is important to note that this cycle does not supercede the payment terms described below; any orders placed with your sales representative during that week will not be submitted for production (in the case of custom orders) or shipped (inventory orders) until after the weekly payment has been made, a delay of one to six days.

90 days after initial account approval, these terms may or may not become negotiable, depending on the business being done and at the sole discretion of ShangriLa.

### Payment Terms by Order Type:

Payment terms may vary according to each individual order as well, assuming they differ from the account holder's payment cycle. In general, payment in full must be received or scheduled prior to the order being released to the account holder. More specifically, there are three types of orders that the account holder may place:

- 1) *Orders for product being held in ShangriLa's Ontario, California, warehouse and distribution center.* ShangriLa will attempt to hold certain high-turnover models and product "in-stock" at its distribution center for quick turnaround. Being that this product is immediately available to the account holder or their customers, **payment in full** is due before ShangriLa may release it. Depending on payment terms selected by the account holder, ShangriLa may require actual payment, or that the payment be scheduled for the next applicable payment date.
- 2) *Orders for product that must be manufactured (not held in stock).* Though it depends on the account holder, it is likely that the majority of orders placed will fall under this category. For this order type, ShangriLa requires that a minimum **50% deposit** be paid up front for each order. This amount will allow us to produce the order and ship it to our California warehouse. Once the order arrives at the warehouse, and prior to the order being released to the account holder, the final balance is due.
- 3) *Bulk (Container) orders.* This order type is similar to number two above in that 50% of the balance is due as a deposit prior to manufacturing and shipping the product. However, in this case, the final balance would be due prior to the container leaving the docks. Also in the case of container orders, standard payment terms may not apply; all payments (the deposit and the final balance) are due immediately upon the request by ShangriLa for each. Manufacturing will not begin until the initial deposit has been received, and the container will not be released to the account holder until the final balance has been paid. There are no exceptions to this policy.

## **Shipping Policy**

Order lead times for custom-manufactured orders placed with ShangriLa are usually estimated to be between eight and twelve weeks, depending on the size and variety of the order. The vast majority of that time, however, is attributed to shipping – both overseas via boat and overland via truck to each individual customer.

The former (overseas shipping) will always be set up and arranged by ShangriLa as a service to our business partners. The party responsible for paying for this phase of shipping will depend on the type of order. For standard, individual orders, the cost is included in the price of the product. For bulk container orders, the cost is the responsibility of the account holder in exchange for substantial discounts on the product itself.

For smaller, non-container orders, the product will be shipped from the factory to the distribution center located in Ontario, California, in ShangriLa's own

containers. Once the order arrives at the distribution center, any subsequent shipment in and around North America is the sole responsibility of the account holder. As such, it is advisable for the account holder to have or acquire one or more commercial accounts with the shipping agency (or agencies) of their choice in tandem with doing business with ShangriLa. ShangriLa will not use its own shipping accounts to ship the product of an account holder at any time.

*It is extremely important to remember that production times, shipping times, and generally any timetable related to the manufacture and delivery of product is estimated. ShangriLa will always strive to complete orders in a timely manner, but cannot guarantee any set timetable related to any order. Any time estimate provided by ShangriLa is meant as a guideline only. Delays in production and/or shipping will not entitle the account holder to any discounts, credits, exemptions, or privileges.*

### **Manufacturer's Suggested Retail Price (MSRP) Policy**

ShangriLa requires that all resellers doing business exclusively via a website/web store adhere to the MSRP policy. This rule dictates that the account holder must price all ShangriLa product being advertised on their website according to a minimum price set at a predetermined amount by ShangriLa. The purpose behind this policy is to prevent unfair business practices among ShangriLa dealers who are internet-based. Any client found to be advertising prices lower than the MSRP will have their account status reevaluated by ShangriLa and appropriate action, up to and including account termination, will be taken.

Currently, the MSRP is equal to the base price of each item plus an additional 23%. So, for example:

SL190 Full Leather Sectional  
Base Price: \$3230  
MSRP:  $\$3230 + 23\% = \mathbf{\$3972.90}$

All internet-based account holders who advertise the SL190 on their website must be advertising a price at or above \$3972.90.

For any further information regarding any of the policies and procedures outlined above, please contact your sales representative.