

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

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 17, 2018

FLEXSTEEL INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

Minnesota  
(State or other jurisdiction  
of incorporation)

0-5151  
(Commission  
File Number)

42-0442319  
(IRS Employer  
Identification No.)

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

52001  
(Zip Code)

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

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(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

*Appointment of Jerald K. Dittmer as President and Chief Executive Officer*

Effective December 28, 2018, Flexsteel Industries, Inc. (the “Company”) appointed Jerald K. Dittmer to the position of President and Chief Executive Officer, replacing the current Interim President of the Company, Jeffrey T. Bertsch, who will continue to serve on the Board of Directors of the Company (the “Board”). Mr. Dittmer will also be appointed to the Company’s Board of Directors effective December 28, 2018.

Mr. Dittmer, 61, joins the Company from Austin Business Furniture, a contract furniture dealership in Austin, Texas, where he served as President and Chief Executive Officer since April 2018. From 1991 to 2018, Mr. Dittmer held various roles with HNI Corporation, a provider of office furniture and hearth products, including Senior Vice President of Strategic Development, President of HNI’s subsidiary HON Company, LLC, Vice President and Chief Financial Officer. Prior to 1991, Mr. Dittmer held audit roles with Arthur Andersen and PricewaterhouseCoopers, as well as plant and division controller roles with Crown Zellerbach and HAVI Corporation. Mr. Dittmer earned a Bachelor of Science in Industrial Administration from Iowa State University.

In connection with Mr. Dittmer’s appointment to the positions of President and Chief Executive Officer, the Company entered into an employment agreement with Mr. Dittmer, dated as of December 17, 2018 to become effective December 28, 2018 (the “Dittmer Employment Agreement”). Pursuant to the Dittmer Employment Agreement, Mr. Dittmer will serve as the Company’s President and Chief Executive Officer and devote substantially all of his business time and attention to the Company and will receive a base annual compensation of \$700,000, subject to adjustments within the discretion of the Board. In addition to his base annual compensation, Mr. Dittmer will be entitled to additional compensation as described below.

1. A signing bonus in the form of (i) an option to purchase 30,000 shares of the common stock under the Company’s Omnibus Stock Plan and (ii) an option to purchase 55,000 shares of common stock outside of any Company stock plan as an inducement grant under Nasdaq rules and under substantially similar terms to the Omnibus Stock Plan grant. The exercise price of these options will be the Company’s closing stock price on December 28, 2018 and will vest pursuant to the vesting schedule set forth in the Dittmer Employment Agreement.
2. Mr. Dittmer will be eligible to participate in the Company’s Cash Incentive Plan with his initial participation set at 115% of his base salary at a target award. Mr. Dittmer’s participation for fiscal year 2019 will be prorated for days employed and the prorated amount of the award will be guaranteed at the target level and subject to increase if the target level is exceeded.
3. Mr. Dittmer will be eligible to participate in the Company’s Long-Term Incentive Plan beginning with the July 1, 2019 through June 30, 2022 performance period with his participation set at 85% of his base salary at a target award.
4. In lieu of an award under the Company’s Long-Term Incentive Plan for performance periods beginning before July 1, 2019, Mr. Dittmer will be granted a special hiring award of \$750,000 in the form of a combination of Restricted Stock Units and Restricted Stock in an aggregate number based upon the average closing price for the ten trading days prior to December 28, 2018 and subject to the vesting schedule set forth in the Dittmer Employment Agreement.

Mr. Dittmer will be entitled to participate in all retirement plans, health plans, paid time off benefits and other employee benefits and policies made available by the Company to its officers and/or executive employees generally, as they may change from time to time. In addition, Mr. Dittmer will be entitled to participate in the Company’s supplemental health insurance plan and furniture program.

Mr. Dittmer will be paid \$150,000, grossed up to cover federal and state income taxes and Medicare taxes, for all expenses related to relocating himself and his family to Dubuque, Iowa. If Mr. Dittmer terminates his employment prior to December 28, 2020, the \$150,000 relocation expense payment, prorated for length of service, will be immediately reimbursed to the Company.

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Under the Company's Severance Plan for Management Employees, if the Company terminates Mr. Dittmer for other than cause, death, or disability, the Company will pay Mr. Dittmer an amount equivalent to twelve (12) months base salary plus an amount equal to the value of the cash incentive plan payment at target performance in the year of termination. The Company will also pay Mr. Dittmer a lump sum equal to twelve (12) months of health insurance premiums. A condition of the Dittmer Employment Agreement is that he execute a Confidentiality and Noncompetition Agreement which in part prohibits Mr. Dittmer from competing with the Company for 12 months after termination.

The Dittmer Employment Agreement is attached hereto as Exhibit 10.1 and incorporated by reference in response to this Item 5.02. A form of the Confidentiality and Noncompetition Agreement between the Company and Mr. Dittmer is attached hereto as Exhibit 10.2 and incorporated by reference in response to this Item 5.02. The foregoing descriptions of such agreements are qualified in their entirety by reference to the full text of such agreements.

A copy of the press release dated December 20, 2018, announcing the naming of Mr. Dittmer to the President and Chief Executive Officer positions, is attached hereto as Exhibit 99.1.

#### **Item 9.01 Financial Statements and Exhibits**

[Exhibit 10.1 Employment Agreement, dated as of December 17, 2018 by and between the Company and Jerald K. Dittmer](#)

[Exhibit 10.2 Form of Confidentiality and Noncompetition Agreement between the Company and Jerald K. Dittmer.](#)

[Exhibit 99.1 Press Release by Flexsteel Industries, Inc. on December 20, 2018.](#)

#### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FLEXSTEEL INDUSTRIES, INC.

(Registrant)

Date: December 20, 2018

By: /s/ Marcus D. Hamilton  
Marcus D. Hamilton  
Chief Financial Officer, Secretary and Treasurer  
Principal Financial and Accounting Officer

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## EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the “**Agreement**”) is entered into by and between Flexsteel Industries, Inc. (the “**Company**”), and Jerald K. Dittmer (“**Executive**”) (the Company and Executive, collectively, the “**Parties**” and each, a “**Party**”) as of the date of Executive’s signature below and is effective as of the Executive’s start date with the Company, which is anticipated to be December 28, 2019, 12:01 a.m. (the “**Effective Date**”).

WHEREAS, Executive wishes to be employed by the Company and the Company desires to employ Executive as its President and Chief Executive Officer (“**CEO**”) on the terms and conditions set forth in this Agreement;

WHEREAS the Company desires to employ Executive as its CEO according to the terms and conditions of this Agreement and the Company’s Board of Directors (the “**Board**”) has authorized such offer of employment;

WHEREAS the Company’s offer of employment made to Executive, and the Company’s offer of this Agreement and the consideration and benefits provided herein, are contingent on Executive signing and accepting that certain Confidentiality and Noncompetition Agreement between Executive and the Company (the “**Confidentiality Agreement**”), a copy of which is attached hereto as Exhibit A; and

WHEREAS, Executive has executed, agreed to fulfill, and has delivered to the Company such executed, Confidentiality Agreement.

NOW, THEREFORE, in consideration of and reliance on these recitals and premises, which are hereby incorporated, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound, the Parties agree as follows:

1. **Employment; Employment Term.** Upon the terms and conditions hereinafter set forth, the Company hereby agrees to retain the services of Executive and Executive hereby accepts such employment and agrees to faithfully and diligently serve as directed by the Board, and in accordance with this Agreement, commencing on the Effective Date and continuing until terminated pursuant to Section 5 of this Agreement (the “**Employment Term**”).

2. **Duties.**

(a) **Services.** During the Employment Term, Executive agrees to serve as CEO of the Company and shall render Executive’s duties as CEO in a manner that is consistent with Executive’s position within the Company and as assigned by the Board, and/or at the option of the Board. Additionally, as soon as practicable after the Effective Date, the Board will elect Executive to the Board of Directors and Executive will thereafter stand for reelection to the Board as provided for in the Bylaws. Executive also agrees to serve as any elected/appointed director or officer of any subsidiary of the Company that the Company may, in its sole discretion, deem fit and Executive shall serve in such capacity or capacities without additional compensation during the Employment Term. Executive shall spend substantially all of Executive’s business time and attention at the Company’s headquarters in Dubuque, Iowa, however Executive’s employment under this Agreement will require travel and stay outside Dubuque, Iowa and the United States in order to fulfill Executive’s duties hereunder.

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(b) **Certain Obligations.** During the Employment Term, Executive (i) shall devote 100% of Executive's business time and attention to achieve, in accordance with the policies and directives of the Board, and/or, at the option of the Board, the CEO, established from time to time in its/their/Executive's discretion, the objectives of the Company, (ii) shall be subject to, and comply with, the rules, practices and policies applicable to executive employees whether reflected in an employee handbook, code of conduct, compliance policy or otherwise, as the same may exist and be amended from time to time, of the Company; and (iii) shall not engage in any business activities other than the performance of Executive's duties under this Agreement. Notwithstanding the foregoing, provided that Employee does not violate the Confidentiality Agreement, Executive may participate in civic, religious and charitable activities, may make passive personal investments in other entities, and may serve as a director for the entities and in the capacities set forth on Exhibit B hereto, or as otherwise approved by the Board in writing.

3. **Compensation.** For the services rendered herein by Executive, and the promises and covenants made by Executive herein, during the Employment Term the Company shall pay compensation to Executive as follows.

(a) **Base Salary.** In exchange for Executive's services, the Company shall pay to Executive the sum of SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) as an annual salary (the "**Base Salary**"), payable in accordance with the normal payroll practices of the Company. The Board may review Executive's Base Salary and may, in its sole discretion, adjust Executive's Base Salary upon such review.

(b) **Signing Bonus.** In Exchange for Executive's acceptance of the Company's offer of employment and the terms and conditions of this Agreement, the Company will provide Executive a signing bonus (the "**Signing Bonus**") on the Effective Date in the form of (i) an option to purchase 30,000 shares of common stock under the Omnibus Stock Plan and (ii) an option to purchase 55,000 shares of common stock outside of any Company stock plan as an inducement grant under Nasdaq rules and under substantially similar terms to the Omnibus Stock Plan grant. The exercise price of these options will be the Company's closing stock price on the Effective Date. One third of these options will vest on each of July 1, 2019, July 1, 2020 and July 1, 2021. Notwithstanding the foregoing, Executive will not receive the Signing Bonus unless and until the conditions and obligations set forth in Section 7 below are met and fulfilled.

(c) **Annual Incentive.** Executive will be eligible to participate in the Company's Cash Incentive Plan ("**CIP**"). Executive's participation in the CIP is initially set at 115% of his base salary at a target award. Executive's participation for fiscal year 2019 will be prorated for days employed and the prorated amount of the award will be guaranteed at the target level and subject to increase if the target level is exceeded. The Compensation Committee of the Board of Directors establishes the goals for executive officers under the CIP annually with input from the CEO.

(d) **Long-Term Incentive.** Executive will be eligible to participate in the Company's Long-Term Incentive Plan ("LTIP") beginning with the July 1, 2019 through June 30, 2022 performance period. Executive's participation in the LTIP is set at 85% of his base salary at a target award. The Compensation Committee of the Board of Directors will establish the goals for the executive officers for the future three-year performance periods with input from the CEO.

(e) **Special Hiring Award.** In lieu of an award under the LTIP for performance periods beginning before July 1, 2019, Executive will be granted on the Effective Date a special hiring award of \$750,000 in the form of a combination of Restricted Stock Units and Restricted Stock in an aggregate number based upon the average closing price for the ten trading days prior to the Effective Date will be granted on the Effective Date and will vest as follows:

Grant Date Value	Vesting Date
\$125,000	July 1, 2019
\$250,000	July 1, 2020
\$250,000	July 1, 2021
\$125,000	July 1, 2022

(f) **No Additional Compensation.** Except for compensation set forth in this Agreement, Executive shall not receive additional compensation in connection with providing services to or holding executive or directorial office(s) in the Company or any of its subsidiaries unless otherwise agreed to by Executive and the Company in the Company's sole discretion.

4. **Benefits.** During Executive's employment with the Company, Executive shall be entitled to participate in all retirement plans, health plans, paid time off benefits and other employee benefits and policies (including expense reimbursement policies) made available by the Company to its officers and/or executive employees generally, as they may change from time to time. Executive shall also be eligible to participate in the Company's supplemental health insurance plan and furniture program. Further, the Company shall reimburse Executive for annual membership fees to a Dubuque, Iowa area country club and for Executive's annual personal income tax preparation and filing fees. Executive acknowledges and agrees that except as specifically set forth in this Agreement, the Company is under no obligation to Executive to establish or maintain any specific employee benefits in which Executive may participate, and that Executive's eligibility for employee benefits shall be governed by the terms and provisions of the Company benefit plans or policies, all of which are subject to change by the Company, subject to applicable law. Upon the termination of Executive's employment, Executive shall be entitled to continue those benefits as may be required by state or federal law. In addition, Executive is expected to relocate he and his family to Dubuque, Iowa. Executive will be paid \$150,000 to cover all relocation related expenses and is not entitled to any other reimbursement for such expenses. This \$150,000 amount will be fully grossed up for federal and state income taxes and for Medicare taxes. Executive agrees that if he voluntarily terminates his employment with the Company within 2 years of the Effective Date, the \$150,000 relocation expense payment (prorated for length of service within the 2 years) will be immediately repaid to the Company.

5. **Termination; Severance Opportunity.**

(a) **At-Will Employment.** Executive and the Company agree that Executive's employment with the Company is at-will and either Executive or the Company, by and through the Board, may terminate Executive's employment, at any time, with or without any cause, with no prior notice.

(b) **Payments Upon Separation.** When Executive's employment with the Company ends, for any reason, the Company shall pay to Executive: (i) any earned but unpaid Base Salary through the Employee's last day of employment with the Company (such date, the "**Separation Date**"); and (ii) any unreimbursed but validly reimbursable business expenses incurred by Executive on or before the Separation Date. Upon the termination of Executive's employment for any reason, Executive shall be entitled to continue those benefits as may be required by state or federal law at Executive's own cost and expense.

(c) **Participation in Severance Plan.** Executive shall have the opportunity to participate in the Company's Severance Plan for Management Employees dated October 25, 2018, and as amended (the "**Severance Plan**") according to its terms and conditions. Executive's eligibility to receive any severance payments shall be exclusively governed by the terms and conditions of the Severance Plan.

(d) **Resignation From Board.** When Executive's employment with the Company ends, for any reason, Executive agrees to resign from the Company's Board.

6. **Representations.** Executive represents and warrants that:

(a) Executive's performance of all the terms and duties set forth in this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Executive in confidence or in trust prior to or outside of Executive's employment by the Company. Executive hereby represents and warrants that Executive has not entered into, and will not enter into, any oral or written agreement in conflict herewith. The Company acknowledges Executive's letter of agreement with HNI Corporation dated February 16, 2018. The Company represents, warrants, and covenants that it will not encourage or require executive to engagement in activities in violation of such agreement.

(b) Executive is not subject to any other agreement that Executive will violate by working with the Company or in the position for which the Company has hired Executive. Further, Executive represents that no conflict of interest or a breach of Executive's fiduciary duties will result by working with and performing duties for the Company.

(c) Executive has carefully read this Agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this Agreement and fully understands it and that Executive has been provided an opportunity to seek the advice of legal counsel of Executive's choice before signing this Agreement.

(d) During the period in which Executive receives any severance benefits under the Severance Plan that Executive will provide a prompt response to Company in the event Company requests information connected to Executive's employment with the Company or regarding non-confidential information regarding Executive's subsequent employment after ceasing to be an employee of the Company.

(e) Executive is not currently involved, directly or indirectly, in any litigation as a defendant or as a party subject to any counterclaims, nor is any such litigation threatened against Executive, directly or indirectly.

7. **Drug Screening/Form I-9.** Executive understands and agrees that he must complete pre-employment drug screening determined by, and to the satisfaction of, the Company. In addition, Executive must complete the employee portion of a federal Form I-9 and provide any documentation required by such form within three days after the Effective Date. In the event any pre-employment drug screening is not successful to the satisfaction of the Company or that Executive does not fulfill his obligations related to the Form I-9 demonstrating his authorization to work in the United States, this Agreement will be null and void.

8. **Miscellaneous.**

(a) **Notices.** All notices, requests, consents and other communications hereunder (i) shall be in writing, (ii) shall be effective upon receipt, and (iii) shall be sufficient if delivered personally, electronically with receipt confirmation, or by mail, in each case addressed as follows:

If to the Company:

Flexsteel Industries, Inc.  
Chair of the Compensation Committee  
385 Bell Street  
Dubuque, Iowa 52001

With a copy to:

Gray Plant Mooty  
500 IDS Center  
80 South Eighth Street  
Minneapolis, MN USA 55402  
Attn: JC Anderson  
Email: JC.Anderson@gpmlaw.com



If to Executive:

To Executive's most recent residential address or otherwise known by the Company or any other address Executive may provide to the Company in writing.

**(b) Entire Agreement.** This Agreement (including its Exhibits), the Confidentiality Agreement, the Severance Plan, CIP, LTIP, Omnibus Incentive Plan, Benefits Summary, 401K plan, Supplemental Health Plan, and related benefit agreements constitute the entire agreement by and between the Parties with respect to the subject matter contained herein and supersede all prior agreements or understandings, oral or written, with respect to the subject matter contained herein. Notwithstanding the foregoing, Executive shall remain subject to and bound by any employee handbook and any other employee policies adopted from time to time.

**(c) Amendments; Waivers; Etc.** This Agreement may not be altered, amended or modified in any manner, nor may any of its provisions be waived, except by written amendment executed by the Parties hereto that specifically states that they intended to alter, amend or modify this Agreement. No provision of this Agreement may be waived by either Party hereto except by written waiver executed by the waiving party that specifically states that it intends to waive a right hereunder. Any such waiver, alteration, amendment or modification shall be effective only in the specific instance and for the specific purpose for which it was given. No remedy herein conferred upon or reserved by a Party is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Agreement or in connection with this Agreement and now or hereafter existing at law or in equity.

**(d) Governing Law and Venue.** This Agreement and the rights of the Parties shall be governed by and construed and enforced in accordance with the laws of the State of Iowa, without regard to any state's choice of law principles or rules. The venue for any action hereunder shall be in the State of Iowa, County of Dubuque, whether or not such venue is or subsequently becomes inconvenient, and the parties consent to the jurisdiction of the state and federal courts in or applicable to the State of Iowa, County of Dubuque.

**(e) Successors and Assigns.** Neither this Agreement nor any rights or obligations hereunder are assignable by Executive. The Company shall have the right to assign its rights and obligations under this Agreement to any affiliate or successor of the Company. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive's death and (b) any successor of the Company. Any such successor of the Company (including but not limited to any person or entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company) will be deemed substituted for the Company under the terms of this Agreement for all purposes.

**(g) Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same instrument.

(h) **Tax Withholding.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

(i) **Section Headings.** The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof, affect the meaning or interpretation of this Agreement or of any term or provision hereof.

**SIGNATURE PAGE TO EXECUTIVE EMPLOYMENT AGREEMENT**

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the date set forth below.

**EXECUTIVE**

December 17, 2018  
Date

/s/ Jerald K. Dittmer  
Jerald K. Dittmer

**FLEXSTEEL INDUSTRIES, INC.**

December 17, 2018  
Date

By: /s/ Thomas M. Levine  
Thomas M. Levine  
Its: Chair of the Board



Flexsteel Industries, Inc.  
385 Bell Street  
Dubuque, IA 52001

T 563.556.7730  
F 563.556.8345  
www.flexsteel.com

**EXHIBIT A**

FLEXSTEEL®

## CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

Agreement made December 28, 2018 between Flexsteel Industries, Inc., a corporation organized and existing under the laws of Minnesota, with its principal office located at 385 Bell Street, Dubuque, Iowa (“**Flexsteel**”) on behalf of itself and its subsidiaries and Jerald K. Dittmer (“**Employee**”)(collectively referred to as the “**Parties**”).

### RECITALS

Flexsteel has employed Employee to devote his/her full time, attention, and energies to the business of Flexsteel and to use his/her best efforts, skill, and abilities in performing the specific duties of such employment, and Employee shall not, without prior written consent of Flexsteel, either directly or indirectly, engage in any other occupation, profession or business.

As a result of the employment by Flexsteel, Employee will have access to information not generally known to the general public or in the industry(s) in which Flexsteel is or may become engaged about Flexsteel’s business/functional strategies, product design and development), processes, customers, services, suppliers, pricing policies, marketing strategies and related matters. In addition, Flexsteel may provide training to Employee in relation to these areas. It is the desire of Flexsteel and Employee that all such training and information be and remain confidential.

In consideration of the matters described above, and of the mutual benefits and obligations set forth in this Agreement, the Parties agree as follows:

### SECTION ONE: CONFIDENTIALITY

- A. **Nondisclosure.** Employee shall not, during or after the term of this Agreement, directly or indirectly, use, disseminate, or disclose to any person (including other employees of Flexsteel not having a need to know or authority to know), firm or other business entity for any purpose whatsoever, any information not generally known in the industry in which Flexsteel is or may be engaged which was disclosed to Employee or known by Employee as a result of or through his/her employment by Flexsteel. This includes information regarding Flexsteel’s employee’s products, processes, customers, services, suppliers, pricing policies and related matters, and also includes information relating to research, development, inventions, manufacture, purchasing, accounting, engineering, marketing, merchandising, and selling.
- B. **Confidential Relationship.** Employee shall hold in a fiduciary capacity for the benefit of Flexsteel all information in paragraph A above, along with any and all inventions, discoveries, concepts, ideas, improvements, ideas, improvements or know-how, discovered or developed by Employee, solely or jointly with other employees, during the term of this Agreement, which may be directly or indirectly useful in or related to the business of Flexsteel or its subsidiaries, or may be within the scope of its or their research or development work.
- C. **Customer Lists.** Employee shall, at the time of and during employment, furnish a complete list of all the correct names and places of businesses of all its customers, immediately notify Flexsteel of the name and address of any new customer, and report all changes in location of old customers, so that upon the termination of employment, Flexsteel will have a complete list of the correct names and addresses of customer with whom Employee has dealt.



Flexsteel Industries, Inc.  
385 Bell Street  
Dubuque, IA 52001

T 563.556.7730  
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[www.flexsteel.com](http://www.flexsteel.com)

FLEXSTEEL

- D. Return of Documents.** To protect the interests of Flexsteel, Employee agrees that, during or after the termination of Employee's employment by Flexsteel, all documents, records, notebooks, and similar repositories containing such information described in paragraphs A, B and C above, including copies of such items, then in Employee's possession or work area, whether prepared by Employee or others, are the property of Flexsteel and shall be returned to Flexsteel upon Flexsteel's request.

#### SECTION TWO: NON-DISPARAGEMENT

The Employee agrees and covenants that the Employee will not at any time make, publish, or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning Flexsteel or its businesses, or its employees, officers and existing and prospective customers, suppliers and other associated third parties.

This section does not, in any way, restrict or impede the Employee from exercising protected rights to the extent that such rights cannot be waived by agreement, including but not limited to Employee's section 7 rights under the NLRA, or from complying with any applicable law or agency, provided that such compliance does not exceed that required by the law, regulation or order. The employee shall promptly provide such written notices of such order to Flexsteel's legal department.

#### SECTION THREE: NONCOMPETITION

- A. **Employee Conduct with Respect to Competitors.** During the term of Employee's employment by Flexsteel and for twelve (12) months after termination of such employment, Employee agrees that Employee will not, without the prior written consent of Flexsteel, directly or indirectly, whether as an employee, officer, director, independent contractor, consultant, stockholder, partner, or otherwise, engage in or assist others to engage in or have any interest in any business which competes with Flexsteel in any geographic area in which Flexsteel markets or has marketed its products during the year preceding termination.
- B. **Solicitation of Employees.** Employee agrees that during the term of Employee's employment and for twelve (12) months after the termination of such employment, Employee will not induce or attempt to induce any person who is an employee of Flexsteel to leave the employ of Flexsteel and engage in any business which competes with Flexsteel.
- C. **Maximum Restrictions of Time, Scope, and Geographic Area Intended.** The Parties agree and acknowledge that the time, scope and geographic area and other provisions of this Agreement are reasonable under these circumstances. Employee further agrees that if, despite the express agreement of the parties to this Agreement, a court is expressly authorized to modify any unenforceable provision of this Agreement in lieu of severing the unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, or deleting any or all of the offending provision, adding additional language to this Agreement, or by making any other modifications as it deems warranted to carry out the intent and agreement of the Parties as embodied herein to the maximum extent as permitted by law. The Parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them.



Flexsteel Industries, Inc.  
385 Bell Street  
Dubuque, IA 52001

T 563.556.7730  
F 563.556.8345  
[www.flexsteel.com](http://www.flexsteel.com)

FLEXSTEEL

#### SECTION FOUR: BREACH OF AGREEMENT

- A. Remedies.** Employee agrees that violating Section One of this Agreement at any time, including during litigation, will produce damages and injury to Flexsteel. In the event of the breach or, or threatened breach by Employee of Section One of this Agreement, Flexsteel shall be entitled to seek injunctive relief, both preliminary and permanent, enjoining and restraining such breach or threatened breach. Such remedies shall be in addition to all other remedies available to Flexsteel in law or in equity, including by not limited to Flexsteel's right to recover from Employee any and all damages that may be sustained as a result of Employee's breach.
- B. Agreement Survives Termination.** All rights of the Parties pursuant to this Agreement shall survive any termination.
- C. Choice of Law.** The validity, interpretation, and performance of this Agreement shall be controlled and construed under the laws of Iowa.
- D. Attorney's Fees.** If an attorney shall be retained to interpret or enforce the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney fees, including any such fees set by the trial or appellate court upon trial or appeal.

#### SECTION FIVE: MISCELLANEOUS

- A. Entire Agreement.** This Agreement contains all the understandings and representations between Employee and Flexsteel pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements and representations, both oral and written, with respect to such subject matter.
- B. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart's signature page of this Agreement by facsimile, email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement.

**Nothing in this Agreement shall be construed to in any way terminate, supersede, undermine, or otherwise modify the "at-will" status of the employment relationship between Flexsteel and the Employee, pursuant to which either Flexsteel or the Employee may terminate the employment relationship at any time, with or without cause, and with or without notice.**

**EMPLOYEE**

By: \_\_\_\_\_

Name: Jerald K. Dittmer

Title: President/CEO

Date: December 28, 2018

**FLEXSTEEL INDUSTRIES, INC.**

By: \_\_\_\_\_

Name: Thomas M. Levine

Title: Chair of the Board

Date: December 28, 2018

**EXHIBIT B**

**Commitments and/or Investment**

None.





Flexsteel Industries, Inc.  
385 Bell Street  
Dubuque, IA 52001

T 563.556.7730  
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FLEXSTEEL

**FORM OF  
CONFIDENTIALITY AND NONCOMPETITION AGREEMENT**

Agreement made December 28, 2018 between Flexsteel Industries, Inc., a corporation organized and existing under the laws of Minnesota, with its principal office located at 385 Bell Street, Dubuque, Iowa (“**Flexsteel**”) on behalf of itself and its subsidiaries and Jerald K. Dittmer (“**Employee**”) (collectively referred to as the “**Parties**”).

**RECITALS**

Flexsteel has employed Employee to devote his/her full time, attention, and energies to the business of Flexsteel and to use his/her best efforts, skill, and abilities in performing the specific duties of such employment, and Employee shall not, without prior written consent of Flexsteel, either directly or indirectly, engage in any other occupation, profession or business.

As a result of the employment by Flexsteel, Employee will have access to information not generally known to the general public or in the industry(s) in which Flexsteel is or may become engaged about Flexsteel’s business/functional strategies, product design and development), processes, customers, services, suppliers, pricing policies, marketing strategies and related matters. In addition, Flexsteel may provide training to Employee in relation to these areas. It is the desire of Flexsteel and Employee that all such training and information be and remain confidential.

In consideration of the matters described above, and of the mutual benefits and obligations set forth in this Agreement, the Parties agree as follows:

**SECTION ONE: CONFIDENTIALITY**

- A. **Nondisclosure.** Employee shall not, during or after the term of this Agreement, directly or indirectly, use, disseminate, or disclose to any person (including other employees of Flexsteel not having a need to know or authority to know), firm or other business entity for any purpose whatsoever, any information not generally known in the industry in which Flexsteel is or may be engaged which was disclosed to Employee or known by Employee as a result of or through his/her employment by Flexsteel. This includes information regarding Flexsteel’s employee’s products, processes, customers, services, suppliers, pricing policies and related matters, and also includes information relating to research, development, inventions, manufacture, purchasing, accounting, engineering, marketing, merchandising, and selling.
  - B. **Confidential Relationship.** Employee shall hold in a fiduciary capacity for the benefit of Flexsteel all information in paragraph A above, along with any and all inventions, discoveries, concepts, ideas, improvements, ideas, improvements or know-how, discovered or developed by Employee, solely or jointly with other employees, during the term of this Agreement, which may be directly or indirectly useful in or related to the business of Flexsteel or its subsidiaries, or may be within the scope of its or their research or development work.
  - C. **Customer Lists.** Employee shall, at the time of and during employment, furnish a complete list of all the correct names and places of businesses of all its customers, immediately notify Flexsteel of the name and address of any new customer, and report all changes in location of old customers, so that upon the termination of employment, Flexsteel will have a complete list of the correct names and addresses of customer with whom Employee has dealt.
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- D. Return of Documents.** To protect the interests of Flexsteel, Employee agrees that, during or after the termination of Employee's employment by Flexsteel, all documents, records, notebooks, and similar repositories containing such information described in paragraphs A, B and C above, including copies of such items, then in Employee's possession or work area, whether prepared by Employee or others, are the property of Flexsteel and shall be returned to Flexsteel upon Flexsteel's request.

#### SECTION TWO: NON-DISPARAGEMENT

The Employee agrees and covenants that the Employee will not at any time make, publish, or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning Flexsteel or its businesses, or its employees, officers and existing and prospective customers, suppliers and other associated third parties.

This section does not, in any way, restrict or impede the Employee from exercising protected rights to the extent that such rights cannot be waived by agreement, including but not limited to Employee's section 7 rights under the NLRA, or from complying with any applicable law or agency, provided that such compliance does not exceed that required by the law, regulation or order. The employee shall promptly provide such written notices of such order to Flexsteel's legal department.

#### SECTION THREE: NONCOMPETITION

- A. **Employee Conduct with Respect to Competitors.** During the term of Employee's employment by Flexsteel and for twelve (12) months after termination of such employment, Employee agrees that Employee will not, without the prior written consent of Flexsteel, directly or indirectly, whether as an employee, officer, director, independent contractor, consultant, stockholder, partner, or otherwise, engage in or assist others to engage in or have any interest in any business which competes with Flexsteel in any geographic area in which Flexsteel markets or has marketed its products during the year preceding termination.
- B. **Solicitation of Employees.** Employee agrees that during the term of Employee's employment and for twelve (12) months after the termination of such employment, Employee will not induce or attempt to induce any person who is an employee of Flexsteel to leave the employ of Flexsteel and engage in any business which competes with Flexsteel.
- C. **Maximum Restrictions of Time, Scope, and Geographic Area Intended.** The Parties agree and acknowledge that the time, scope and geographic area and other provisions of this Agreement are reasonable under these circumstances. Employee further agrees that if, despite the express agreement of the parties to this Agreement, a court is expressly authorized to modify any unenforceable provision of this Agreement in lieu of severing the unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, or deleting any or all of the offending provision, adding additional language to this Agreement, or by making any other modifications as it deems warranted to carry out the intent and agreement of the Parties as embodied herein to the maximum extent as permitted by law. The Parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them.



**SECTION FOUR: BREACH OF AGREEMENT**

- A. **Remedies.** Employee agrees that violating Section One of this Agreement at any time, including during litigation, will produce damages and injury to Flexsteel. In the event of the breach or, or threatened breach by Employee of Section One of this Agreement, Flexsteel shall be entitled to seek injunctive relief, both preliminary and permanent, enjoining and restraining such breach or threatened breach. Such remedies shall be in addition to all other remedies available to Flexsteel in law or in equity, including by not limited to Flexsteel’s right to recover from Employee any and all damages that may be sustained as a result of Employee’s breach.
- B. **Agreement Survives Termination.** All rights of the Parties pursuant to this Agreement shall survive any termination.
- C. **Choice of Law.** The validity, interpretation, and performance of this Agreement shall be controlled and construed under the laws of Iowa.
- D. **Attorney’s Fees.** If an attorney shall be retained to interpret or enforce the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney fees, including any such fees set by the trial or appellate court upon trial or appeal.

**SECTION FIVE: MISCELLANEOUS**

- A. **Entire Agreement.** This Agreement contains all the understandings and representations between Employee and Flexsteel pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements and representations, both oral and written, with respect to such subject matter.
- B. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart’s signature page of this Agreement by facsimile, email in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement.

**Nothing in this Agreement shall be construed to in any way terminate, supersede, undermine, or otherwise modify the “at-will” status of the employment relationship between Flexsteel and the Employee, pursuant to which either Flexsteel or the Employee may terminate the employment relationship at any time, with or without cause, and with or without notice.**

**EMPLOYEE**

By: \_\_\_\_\_

Name: Jerald K. Dittmer  
Title: President/CEO  
Date: December 28, 2018

**FLEXSTEEL INDUSTRIES, INC.**

By: \_\_\_\_\_

Name: Thomas M. Levine  
Title: Chair of the Board  
Date: December 28, 2018



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FLEXSTEEL®

## Flexsteel Appoints Jerald K. Dittmer President and CEO

DUBUQUE, Iowa (December 20, 2018) – Flexsteel Industries, Inc., (the “Company”) (NASDAQ: FLXS) one of the oldest and largest manufacturers, importers and marketers of residential and contract upholstered and wooden furniture products in the United States, today announced that Jerald (Jerry) K. Dittmer has been named the Company’s President and Chief Executive Officer effective December 28, 2018. Dittmer, an accomplished leader in the office furniture industry, is a veteran of HNI Corporation, a publicly traded company and leading global office furniture manufacturer.

“After conducting a thorough search and interviewing many qualified candidates, Jerry Dittmer was the clear and unanimous choice of our Board of Directors to become the eighth corporate president in Flexsteel’s 125-year history,” said Flexsteel Chairman Thomas M. Levine. “Jerry’s industry knowledge and operational leadership at one of the largest and most successful US furniture companies will uniquely position our company for enhanced growth, performance and shareholder value creation while maintaining the culture that has been the hallmark of Flexsteel since its inception.”

“I am honored to join an organization that has a long history of product innovation and customer service,” said Dittmer. “I am excited about the prospects for growth within the furniture industry and am confident that Flexsteel is well positioned for continued growth and shareholder value by exceeding our customer’s expectations with a quality product.”

Mr. Dittmer will be appointed to the Board of Directors effective December 28, 2018.

Dittmer comes to Flexsteel with more than 25 years of experience in the furniture industry including leadership positions with HNI Corporation and its subsidiaries. Most recently he served as President of the HON Company, a large office furniture designer and manufacturer. Appointed president of HON Company in 2008, Dittmer successfully positioned the \$1+ billion business to weather the recession and grew Earnings Before Interest and Taxes (EBIT) and gross margins to greater than pre-recession levels by realigning the manufacturing footprint and transforming go-to-market capabilities resulting in significant profitable sales growth in a three-year period.

Dittmer also proactively recognized the changing market dynamics within the industry and led HON’s e-commerce initiatives from infancy to a significant revenue and profit contributor. Additionally, he led a strategic acquisition that enabled next day shipping of value-priced seating and simple furniture solutions while developing an expansive offering of unique on-trend products to the market through e-tailers, independent dealers and national supply dealers resulting in significant growth.

Prior to his assignment as President of the HON Company, Dittmer served as the Chief Financial Officer (CFO) for HNI. As the CFO, Dittmer held full responsibility for the company’s domestic and international finance, accounting, treasury, tax, shared services enterprise risk management, internal audit, IT, procurement, mergers and acquisitions, divestitures and strategic planning. During his tenure as CFO, HNI moved to ranking second in the office furniture industry from fifth place.

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Prior to being named CFO in 2001, Dittmer held multiple executive roles within HNI and HON including Group Vice President, Seating and Wood Products; General Manager, Oak Steel, Chief Information Officer, HNI Corporation; Controller, Gunlocke Company and MAXON; and Assistant Corporate Controller and Director, Internal Audit, HNI. Before joining HNI in 2001, Dittmer, who earned his BS at Iowa State University, held positions with PricewaterhouseCoopers, Crown Zellerbach, HAVI Corporation and Arthur Andersen.

The Flexsteel Board retained Allegis Partners and ghSMART & Co. to assist in identifying and evaluating potential candidates.

#### About Flexsteel

Flexsteel Industries, Inc. and Subsidiaries (the “Company”) incorporated in 1929 is celebrating its 125<sup>th</sup> anniversary of the Company’s founding in 1893. Flexsteel Industries, Inc. is one of the oldest and largest manufacturers, importers and marketers of residential and contract upholstered and wooden furniture products in the United States. Over the generations the Company has built a committed retail and consumer following based on its patented, 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. With offerings for use in home, hotel, healthcare, recreational vehicle, marine and office, the Company distributes its furniture throughout the United States & Canada through the Company’s sales force and various independent representatives.

#### Forward-Looking Statements

Statements, including those in this release, 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 our 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, product recalls, the effectiveness of new product introductions and distribution channels, the product mix of sales, pricing pressures, the cost of raw materials and fuel, retention and recruitment of key employees, actions by governments including laws, regulations, taxes and tariffs, inflation, 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 and general economic conditions. For further information regarding these risks and uncertainties, see the “Risk Factors” section in Item 1A of our most recent Annual Report on Form 10-K.

For more information, visit our web site at <http://www.flexsteel.com>.

#### INVESTOR CONTACT:

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