

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

**FORM 8-K**

CURRENT REPORT

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

Date of Report (Date of earliest event reported) June 29, 2012

**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.)

**3400 Jackson Street, Dubuque, Iowa**  
(Address of principal executive offices)

**52001**  
(Zip Code)

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

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

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

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

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

On July 2, 2012, Flexsteel Industries, Inc.(the “Company”) announced that Karel K. Czanderna has been named the Company’s President and Chief Executive Officer. Czanderna’s appointment became effective July 1, 2012. Ronald J. Klosterman’s employment will continue through September 30, 2012 to assist in Ms. Czanderna’s transition. Mr. Klosterman will maintain his seat on the Board of Directors.

Ms. Czanderna, age 56, was Group President of Building Materials at Owens Corning from 2008 to 2011. Before joining Owens Corning, Ms. Czanderna held multiple executive positions at Whirlpool Corporation from 2002 to 2008, including as Vice President and General Manager of global KitchenAid and Jenn-Air appliance business. Prior to Whirlpool, Czanderna worked for Eastman Kodak for 18 years. Czanderna received her BS at Clarkson University, her Master’s and PhD in Materials Science and Engineering from Cornell University and completed an executive education program at Harvard Business School.

In connection with Ms. Czanderna’s appointment as President and Chief Executive Officer, the Company entered into a letter agreement with her, dated June 29, 2012 (the “Letter Agreement”), that provides for an annual salary of \$600,000 and sign-on equity grant of 25,000 fully vested stock options with an exercise price equal to the closing price on July 2, 2012. The options will have a term of ten years. Ms. Czanderna was granted 10,000 restricted stock units of the Company on July 2, 2012 as an inducement to employment of which 6,000 shares will vest on July 2, 2015, 2,000 shares will vest on July 2, 2016, and 2,000 shares will vest on July 2, 2017. In addition, Ms. Czanderna is eligible for a one-year equity and cash incentive plan for fiscal 2013 under which she may earn 20% of her base salary upon the Company achieving at target performance goals as set by the Nominating and Compensation Committee of the Board of Directors. The award is payable 60% in Company stock and 40% in cash.

Ms. Czanderna will participate in the annual executive incentive compensation program and a target award of 100% of her base salary is guaranteed for fiscal year 2013. Ms. Czanderna will also be eligible to participate in the Company’s long-term incentive plan which is established annually by the Nominating and Compensation Committee of the Board of Directors.

As part of the Letter Agreement, if the Company terminates Ms. Czanderna for other than cause during the first seven years of her employment or Ms. Czanderna terminates for good reason, the Company will pay eighteen months of her base salary and one and one-half times the annual incentive bonus for the most recently completed fiscal year in a lump sum.

The Company will pay or reimburse Ms. Czanderna for certain expenses related to her relocation to Dubuque, Iowa. The Letter Agreement is attached hereto as Exhibit 10.1 and incorporated herein by reference in response to this Item 5.02. The foregoing description of such agreement is qualified in its entirety by reference to the full text of such agreement.

A copy of the press release dated July 2, 2012, announcing the naming of Ms. Czanderna to the President and Chief Executive Officer position, is attached hereto as Exhibit 99.1.

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**Item 9.01 Financial Statements and Exhibits.**

Exhibit 10.1 – Letter Agreement between Karel Czanderna and Flexsteel Industries, Inc. dated June 29, 2012.

Exhibit 99.1 – Press Release by Flexsteel Industries, Inc. on July 2, 2012.

**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: July 5, 2012

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

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*Flexsteel.*  
Industries Incorporated

June 29, 2012

Ms. Karel Czanderna  
28595 E. River Road  
Perrysburg, OH 43551

RE: Employment with Flexsteel Industries, Inc.

Dear Karel:

The purpose of this letter is to outline the employment terms that Flexsteel Industries, Inc. (hereafter "Flexsteel") is offering to you. If you are in agreement with these terms, I would request that you return one executed copy of this letter, which is being provided in duplicate, to me in the enclosed self-addressed, stamped envelope. Please remember to date your signature. Additionally, please provide a copy of the signature page to Mary Bottie electronically.

The terms under which you are being hired are as follows:

1. **Title** President and Chief Executive Officer
2. **Start Date** July 1, 2012, 12:01 a.m.
3. **Term** You will be in employment "At Will", so there is no specific term for employment. However, if Flexsteel terminates employment, there is a severance provision as addressed later in this letter.
4. **Job Duties** See Exhibit "A" attached.
5. **Standard of Care**
  - ÿ Devote your full time and best efforts;
  - ÿ Exercise the highest degree of loyalty and care; and
  - ÿ Do nothing to harm the business or reputation of Flexsteel.

You may participate in civic, industry or charitable activities and manage your personal investments, provided that such activities do not interfere with your duties to Flexsteel, as limited herein.

6. **Location** You are expected to work at the principal office location of Flexsteel in Dubuque, Iowa.

7. **Base Salary** An annual base salary of \$600,000 paid over the standard payroll cycle, to be reviewed by the Compensation Committee of the Board of Directors on an annual basis. Base salary will not be reduced without agreement.
8. **Annual Incentive (Bonus)** You will be eligible to participate in the annual executive incentive compensation program which is established annually by the Compensation Committee of the Board of Directors. The incentive plan sets targets for the President and CEO. The annual incentive target award percentage for you is 100% of base salary for fiscal year 2013. This annual performance incentive is guaranteed to you for fiscal year 2013. Additionally, if Flexsteel exceeds the established targets for fiscal year 2013 such that the annual incentive compensation would be greater than 100% of base salary, you will be eligible for the increase compensation.
9. **One Year Equity Incentive Plan** As an inducement for your hiring, Flexsteel has established a one-year equity and cash incentive plan for the performance period 7/1/12 through 6/30/13. This plan is structured in a fashion similar to the long-term incentive plan (LTIP) described below under Long-Term Incentives, but is structured for only a one year period. The provisions of this one year incentive will be provided to you separately.
10. **Long-Term Incentives** You will be entitled to participate in the Company's LTIP as a "New Hire" as provided in the LTIP for the performance period beginning 7/1/11 and ending 6/30/14 on a prorated basis. The goals of the LTIP for this performance period for you are identical to all other employees participating in the LTIP. The provisions of the LTIP for this performance period will be provided to you separately.

You will also be eligible to participate in the Company's LTIP for the performance period beginning 7/1/12 and ending 6/30/15. The goals of the LTIP for this performance period for you are identical to all other employees participating in the LTIP. The specific provisions of the LTIP for this performance period will be provided to you separately.
11. **Sign-On Equity Grant** A sign-on equity grant of 25,000 fully-vested stock options at an exercise price equal to the closing price on July 2, 2012. The options will have a term of ten years and be subject to the Company's Stock Option Plan.

12. **Sign-On Longevity Grant** As an inducement to your hiring, you will be granted 10,000 restricted stock units of Flexsteel on July 2, 2012 that will vest under the following schedule:
- a. 6,000 shares will vest on the third anniversary of your employment;
  - b. 2,000 shares will vest on the fourth anniversary of your employment; and
  - c. 2,000 shares will vest on the fifth anniversary of your employment.

If you should leave by reason of death, disability, termination by Flexsteel for reasons other than Cause, or you resign for Good Reason, any shares which are not vested at the time of your departure will be deemed fully vested. No dividends will be paid prior to vesting.

13. **Health and Welfare** The Company will provide you with health and welfare benefits, supplemental health care insurance and long term disability insurance as provided to all other executive officers.

**Health Insurance:** This Company sponsored plan provides medical, prescription, vision and dental coverage to office employees. This is an 80/20 plan with \$450 single and \$900 family deductibles. The employee cost per month is currently \$60 single, \$150 employee plus one and \$165 family and is subject to annual review.

**Life Insurance:** Exempt employees receive \$50,000 life and accidental death and dismemberment coverage.

**Supplemental Health Insurance:** This is a supplemental policy for officers that pays the deductible and out of pocket expenses not covered by the regular health insurance, subject to policy limitations and exclusions.

**Long-Term Disability Insurance:** This benefit begins after you have been totally disabled for six (6) continuous months. The benefit is equal to fifty percent (50%) of your base pay.

14. **Relocation** You are expected to move to the Dubuque Area and are entitled to receive the relocation benefits described herein to relocate her family to the Dubuque Area.

A \$25,000 payment will be paid to you on the first date of employment, which may be used to cover miscellaneous and incidental moving expenses. This payment will be grossed up for Federal (35%), State (6%) and Medicare (1.45%) Taxes.

In addition to the \$25,000.00 payment, Flexsteel will either pay or reimburse you the following:

- a. Air fare for you and your spouse for up to two (2) round trips from Toledo, Ohio;
- b. Reasonable and customary closing costs for a new home in the Dubuque area which typically includes loan cost, buyer closing costs, legal and other expenses associated with the acquisition of a new home. The total payment or reimbursement will not exceed three percent (3%) of the purchase price of the new home.
- c. Pack, load and move, via van line, normal family household goods with full replacement insurance.
- d. Storage of your household goods up to ninety (90) days.
- e. Shipping of up to two (2) automobiles to Dubuque, Iowa from Toledo, Ohio.
- f. Tax preparation for calendar year 2012 and, if Residence, as defined herein, sells in 2013, tax preparation for calendar year 2013.
- g. You will receive temporary housing for 90 days. Housing will be paid for directly by the corporate office.

Any amount paid or reimbursed to you under subparagraphs a through g above will be grossed up (as defined above for the \$25,000 payment) for tax purposes to the extent they are not eligible to be treated as moving expenses under Section 217 of the Internal Revenue Code of 1986.

**15. Retirement Benefits**

You are entitled to participate in the Company's Employee Savings Plan (401k) on the same basis as other employees. Subject to length of service requirements (currently one year) and IRS limits and restrictions, the Company sponsored 401(k) plan provides a four percent (4%) pension contribution plus a matching contribution of one percent (1%) of the first four percent (4%) of employee contributions.

16. **Purchase of Flexsteel Furniture** You may purchase Flexsteel Furniture for your personal use at 50% of lowest available wholesale price, plus Iowa sales tax.
17. **Severance** A severance payment equal to eighteen (18) months base salary and one and one-half (1 ½) times the annual incentive bonus for the most recently completed fiscal year will be paid in a lump sum if Flexsteel terminates your employment for any reason or no reason during the first seven (7) years of your employment, other than a termination for Cause (as described below) or disability. Payment will be made within thirty (30) days of termination. If a severance payment is due, Flexsteel will also provide (i) reimbursement of full COBRA payments (employee and employer share) for 18 months and (ii) payment for a senior executive level outplacement program by an outplacement firm selected by you and reasonably approved by Flexsteel. "Cause" shall mean (i) willful misconduct, breach of fiduciary duty, breach of trust, intentional failure to perform your duties, fraud, embezzlement or other misappropriation by you of funds or property of Flexsteel or any of its affiliates; (ii) the commission of acts by you that constitute a felony or a crime of moral turpitude; (iii) the conviction (including plea of nolo contendere) of you or a crime involving any financial impropriety or that would interfere in any material respect with your ability to perform the services to be performed by you or that otherwise would be injurious in any material respect to Flexsteel or any of its affiliates or their reputation or brand; or (iv) the breach by you in any material respect of any of your material obligations under the agreement and, with respect to any breach that is curable in the judgment of Flexsteel, the continuation of that breach for 30 days after written notice by Flexsteel to you (such notice to specify the basis for such breach in reasonable detail. The payment of any severance is conditioned upon the execution of a mutually agreeable severance agreement which releases both parties from any and all claims against the other and will contain provisions, including but not limited to the following:
- a. A mutual non-disparagement clause.
  - b. Confidentiality clause.
  - c. An eighteen month non-compete clause.
  - d. Eighteen months non-hire and non-solicitation clause.



This severance provision shall also apply if your employment is terminated as a result of a change of control. However, this severance provision shall not apply if your employment is terminated as a result of your death or your disability. Disability will be defined to have occurred in the event you have incurred or are afflicted with a medical determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

If your employment terminates due to your voluntary decision to quit, then no severance will be due. However, if you quit for Good Reason (as defined below), then this severance provision shall apply. You are entitled to terminate your employment for Good Reason, provided however, that no such termination for Good Reason shall be effective unless:

- a) You provide written notice to the Chairman of the Board of Flexsteel of the existence of a condition specified in the definition of Good Reason below within ninety (90) days of the initial existence of the condition;
- b) The Company does not remedy or begin to remedy such condition within sixty (60) days of the date of such notice; and
- c) The executive terminates employment within ninety (90) days following the last day of the remedial period described above.

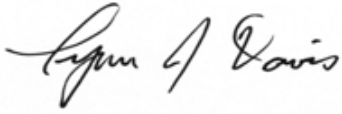
For purposes of this Term Sheet, "Good Reason" shall mean, without your express written consent any of the following:

- (i) The assignment to you of any duties inconsistent in any respect with your authority, duties or responsibilities with respect to your officer position, or any action by Flexsteel that results in a diminution in such authority, duties or responsibilities (whether or not occurring solely as a result of Flexsteel ceasing to be a publicly traded entity);
- (ii) The material reduction in your base salary or material change in annual incentive target award percentage;
- (iii) A material reduction in the budget over which you retain authority;
- (iv) A material change in the geographic location at which you must perform services for Flexsteel;
- (v) A material breach of your agreement by Flexsteel.

18. **External Board Involvement** You may continue to serve on the board/s on which you currently serve with a one-year moratorium on additional board services. Thereafter, service on a board requires the consent of the Flexsteel Board.
19. **Director Position** You will be considered for Directorship of Flexsteel at the Board of Directors meeting held in September, 2012.
20. **Indemnification and Insurance** As a corporate officer, the Flexsteel Bylaws provide you with indemnification to the full extent permitted by Minnesota law. Flexsteel provides director and officer insurance at levels approved by the Board of Directors. After you cease being a corporate officer and/or Director of Flexsteel, for ten years you will continue to be covered under Flexsteel's director and officer insurance at the same level as active Flexsteel corporate officers and directors.
21. **Legal Fees** Flexsteel will reimburse you up to \$10,000 for legal fees incurred to review this Term Sheet and related legal matters.
22. **Current Home Assistance** Flexsteel will guarantee a mutually agreed upon value for your current residence in Ohio ("Residence") for as long as you are employed by Flexsteel. If the Residence is not sold during your employment with Flexsteel, this guarantee is terminated and Flexsteel will have no further obligation related to the Residence. Flexsteel must approve any offer which is received for the Residence which is less than the mutually agreed upon value. All offers must be presented to the Chairperson of Flexsteel's Compensation Committee ("Chairperson"). If an offer on the Residence is received at the mutually agreed upon value or greater which is not accepted by you or your husband, Flexsteel's guarantee terminates and Flexsteel will have no further obligation related to the Residence. The Residence must be listed with a realtor appropriately licensed in the state of Ohio within thirty (30) days of the start of your employment with Flexsteel. The contact person for all matters relating to the Residence will be the Chairperson.
23. **Contingency of Offer** The offer of employment to you is contingent upon your satisfactory completion of a post-offer drug and alcohol screen.
24. **Miscellaneous** This Letter Agreement supersedes all prior agreements and understandings related to the subject matter hereof. This Letter Agreement shall be construed in accordance with and governed and interpreted by the laws of the State of Iowa without regard to principles of conflicts of law which may result in the application of the law of any other jurisdiction. Any action or proceeding to enforce this Letter Agreement shall be brought in the Iowa District Court in and for Dubuque County. If any provision of this Letter Agreement shall be declared by any Court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Letter Agreement shall not be affected and shall remain in full force and effect. This Letter Agreement shall be deemed drafted by both parties hereto, even though one of the parties may have initially drafted the Letter Agreement and submitted it to the other. No provision of this Letter Agreement shall be interpreted for or against a party due to the fact the party drafted the provision. This Letter Agreement may be signed in counterparts and electronically by the parties.

Karel, we are delighted to extend this offer to you by this Letter Agreement. This Letter should not be construed as an Employment Agreement for a term of years, as your employment is "At Will" employment. The Board of Directors is excited and enthusiastic about you joining Flexsteel as its seventh President and CEO. This is an exciting time for Flexsteel and we are honored and privileged to have you join us.

Sincerely,



Lynn J. Davis,  
Chairman of Board of Directors

Attachment (Exhibit "A")

I hereby acknowledge receipt of this Letter Agreement and am accepting employment with Flexsteel pursuant to the terms and conditions set forth in this Letter Agreement.

By: /s/ Karel K. Czanderna  
Karel K. Czanderna

Date: June 29, 2012



## **Flexsteel Appoints Karel K. Czanderna President and CEO**

**DUBUQUE, Iowa (July 2, 2012)** – Flexsteel Industries, Inc. (NASDAQ: FLXS) today announced that Karel K. Czanderna has been named the company's president and chief executive officer. Czanderna, an established leader in the durable goods space, is a veteran of Owens Corning and Whirlpool Corporation and succeeds Ronald J. Klosterman in the role.

Czanderna's appointment became effective July 1, 2012. Klosterman, who has been with Flexsteel for nearly 40 years, will maintain his board seat.

"For more than a century, Flexsteel's employees, investors and customers have benefited from exceptional executive leadership," said Flexsteel Chairman Lynn J. Davis. "That proud tradition will continue with Karel serving as our seventh corporate president. Having earned critical operational expertise through years of building world-class brands, Karel is uniquely equipped to enhance growth opportunities in our various business lines while maintaining the culture that has served as the company's foundation since its inception."

"It is an honor to join an organization that since 1893 has built a reputation for unwavering commitment to product and service excellence," said Czanderna. "I look forward to preserving that storied heritage as we continue to expand on Flexsteel's many industry-leading innovations to create additional value for our customers and investors."

Czanderna, who holds a PhD in Materials Science and Engineering from Cornell University and completed an executive education program at Harvard Business School, served most recently as Group President of Building Materials for Owens Corning. In that role, she was responsible for a \$3.3 billion global business that comprised two-thirds of the Fortune 500 company's revenue. She led 7,500 employees located in more than 65 global plants as well as an integrated supply chain organization and sales and marketing staff. Among her many achievements at Owens Corning, Czanderna is credited with doubling the profitability of the Building Materials business during an economic downturn.

Prior to Owens Corning, Czanderna held multiple executive positions at Whirlpool Corporation, including as Vice President and General Manager of global KitchenAid and Jenn-Air appliance businesses. In that role, she held responsibility for a \$1.8 billion business.

Czanderna, who earned her BS at Clarkson University and a Master's from Cornell, was recruited by Eastman Kodak upon completion of her studies. She served the company in multiple capacities, ultimately being promoted to senior leadership positions overseeing \$500 million in business activity and more than 5,500 employees.

"Senior officers and the board of directors are confident that Karel will value Flexsteel's heritage and be an exceptional leader," said James R. Richardson, Flexsteel director and senior vice president of sales and marketing.

Members of the Flexsteel board retained CTPartners Executive Search, Inc. to assist in identifying and evaluating potential candidates.

Flexsteel Industries, Inc. is headquartered in Dubuque, Iowa, and was incorporated in 1929. Flexsteel is a designer, manufacturer, importer and marketer of quality upholstered and wood furniture for residential, recreational vehicle, office, hospitality and healthcare markets. All products are distributed nationally.

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