

FLUSHING FINANCIAL CORP
Form DEF 14A
March 31, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Flushing Financial Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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FLUSHING FINANCIAL CORPORATION

1979 Marcus Avenue, Suite E140

Lake Success, New York 11042

(718) 961-5400

April 5, 2005

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Flushing Financial Corporation. The annual meeting will be held at the LaGuardia Marriott located at 102-05 Ditmars Boulevard, East Elmhurst, New York 11369, on May 17, 2005 at 2:00 p.m., New York time. The matters to be considered by stockholders at the annual meeting are described in the accompanying materials.

It is very important that you be represented at the annual meeting regardless of the number of shares you own. Whether or not you plan to attend the meeting in person, we urge you to vote as soon as possible. You may vote by marking, signing and dating your proxy card and returning it in the envelope provided. Alternatively, you may vote over the Internet or by telephone. Voting over the Internet, by telephone or by written proxy will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend. Please review the instructions on the proxy card regarding each of these voting options.

Your continued support of and interest in Flushing Financial Corporation are sincerely appreciated.

Sincerely,

Gerard P. Tully, Sr.
Chairman of the Board

Michael J. Hegarty
President and Chief Executive Officer

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FLUSHING FINANCIAL CORPORATION

1979 Marcus Avenue, Suite E140

Lake Success, New York 11042

(718) 961-5400

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE & TIME: May 17, 2005 at 2:00 p.m. New York time

PLACE: LaGuardia Marriott
102-05 Ditmars Boulevard
East Elmhurst, New York 11369

ITEMS OF BUSINESS

- (1) To elect four directors for a three-year term and until their successors are elected and qualified;
- (2) To approve the Company's 2005 Omnibus Incentive Plan;
- (3) To ratify the appointment of PricewaterhouseCoopers LLP by the Audit Committee of the Board of Directors as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005; and
- (4) To transact such other business as may properly come before the meeting or any adjournment thereof.

RECORD DATE: You are entitled to vote at the annual meeting or any adjournment of that meeting only if you were a stockholder at the close of business on Thursday, March 24, 2005.

VOTING BY PROXY: Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy (1) over the Internet, (2) by telephone, or (3) by mail. For specific instructions, please refer to the information in the proxy statement and the instructions on the proxy card.

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BY ORDER OF THE BOARD OF DIRECTORS,

Anna M. Piacentini

Corporate Secretary

Lake Success, New York

April 5, 2005

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FLUSHING FINANCIAL CORPORATION

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Lake Success, New York 11042

(718) 961-5400

PROXY STATEMENT

Annual Meeting of Stockholders

To be held on May 17, 2005

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INTRODUCTION

This proxy statement is furnished to holders of common stock, \$.01 par value per share, of Flushing Financial Corporation (the "Company"), which is the sole stockholder of Flushing Savings Bank, FSB (the "Bank"). Proxies are being solicited on behalf of the Board of Directors of the Company (the "Board of Directors") to be used at the annual meeting of stockholders to be held at the LaGuardia Marriott located at 102-05 Ditmars Boulevard, East Elmhurst, New York, 11369 at 2:00 p.m., New York time, on May 17, 2005 and at any adjournment thereof. Only holders of record of the Company's issued and outstanding common stock as of the close of business on the record date, March 24, 2005, are entitled to notice of and to vote at the annual meeting and any adjournments thereof. This proxy statement, the accompanying notice of annual meeting of stockholders, the form of proxy, and the Company's 2004 Annual Report on Form 10-K are first being mailed on or about April 5, 2005 to all persons entitled to vote at the annual meeting.

VOTING AND PROXIES

Voting Rights and Quorum Requirement

Stockholders of record as of the close of business on March 24, 2005, the record date, are entitled to one vote for each share of common stock then held. On the record date, there were 19,200,246 shares of common stock outstanding and entitled to be voted and the Company had no other class of equity securities outstanding. Holders of a majority of the outstanding shares of common stock must be present at the annual meeting, either in person or represented by proxy, to constitute a quorum for the conduct of business. In order to ensure a quorum, you are requested to vote by proxy even if you plan to attend the annual meeting in person. You can vote by completing the enclosed proxy card and returning it signed and dated in the enclosed postage-paid envelope. You can also vote over the Internet or by telephone, as described below.

Voting over the Internet or by Telephone

If your shares are registered in your name with our transfer agent, you may vote either over the Internet or by telephone. Specific instructions for voting over the Internet or by telephone are set forth on the enclosed proxy card. These procedures are designed to authenticate each stockholder's identity and to allow stockholders to vote their shares and confirm that their instructions have been properly recorded.

If your shares are registered in the name of a bank or brokerage firm, you may also be able to vote your shares over the Internet or by telephone. A large number of banks and brokerage firms are participating in online programs that allow eligible stockholders to vote over the Internet or by telephone. If your bank or brokerage firm is participating in such a program, your voting form will provide instructions. If your voting form does not contain Internet or telephone voting information, please complete and return the paper proxy card in the self-addressed, postage-paid envelope provided by your bank or brokerage firm.

Effect of Proxy

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The proxy solicited by this proxy statement, if properly signed and received by the Company in time for the annual meeting, or properly transmitted by telephone or the Internet, and not revoked prior to its use, will be voted in accordance with the instructions it contains. If you return or transmit a proxy without specifying your voting instructions, the proxy will be voted FOR election of the nominees for director described herein, FOR approval of the Company's 2005 Omnibus Incentive Plan, and FOR ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year 2005. With respect to the transaction of such other business as may properly come before the meeting, each proxy received will be voted in accordance with the best judgment of the persons appointed as proxies. At this time, the Board of Directors knows of no such other business.

Revoking a Proxy

If you give a proxy, you may revoke it at any time before it is voted by (1) filing written notice of revocation with the Corporate Secretary of the Company (Corporate Secretary, Flushing Financial Corporation,

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1979 Marcus Avenue, Suite E140, Lake Success, New York 11042); (2) submitting a duly executed proxy bearing a later date; or (3) appearing at the annual meeting and giving the Corporate Secretary notice of your intention to vote in person.

Votes Required for Approval

Directors are elected by a plurality of the votes cast with a quorum present. This means that nominees receiving the highest number of FOR votes will be elected as directors. Consequently, shares that are not voted, either because you marked your proxy card to withhold authority for all or some of the nominees or you did not complete and return your proxy card, will have no impact on the election of directors. The approval of the Company's 2005 Omnibus Incentive Plan and the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm each requires the affirmative vote of a majority of the total votes cast on the proposal (whether in person or by proxy) by holders entitled to vote on the proposal, assuming a quorum is present at the meeting. Abstentions are considered present for purposes of determining the presence of a quorum and will not affect the plurality vote required for the election of directors, but will have the effect of a vote against the other proposals. Broker non-votes are considered present for purposes of determining the presence of a quorum, but not entitled to vote, so they will have no effect on the outcome of any proposal. A broker non-vote occurs when you fail to provide your bank or broker with voting instructions and the bank or broker does not have the discretionary authority to vote your shares on a particular proposal under the New York Stock Exchange rules. Banks and brokers have discretionary authority to vote shares held in street name with respect to the election of directors and ratification of the independent registered public accounting firm, but not on the proposal to approve the Company's 2005 Omnibus Incentive Plan.

Cost of Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Company. In addition to the solicitation of proxies by mail, Morrow & Co., Inc., a proxy soliciting firm, will assist the Company in soliciting proxies for the annual meeting and will be paid a fee of \$17,500, plus reimbursement for out-of-pocket expenses. Proxies also may be solicited personally or by telephone or telecopy by directors, officers and employees of the Company or the Bank, without additional compensation to these individuals. The Company will also request persons, firms and corporations holding shares in their names, or in the name of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners, and will reimburse such holders for reasonable expenses incurred in connection therewith.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board of Directors of the Company currently consists of 12 directors divided into three classes which are equal in number. The directors hold office for staggered terms of three years (and until their successors are elected and qualified). One of the three classes, comprising approximately one third of the directors, is elected each year to succeed the directors whose terms are expiring. The directors in Classes B and C are serving terms expiring at the annual meeting of stockholders in 2006 and 2007, respectively.

The directors in Class A, whose terms expire at the 2005 annual meeting, are Michael J. Hegarty, John J. McCabe, Donna M. O'Brien and Michael J. Russo. Each of Messrs. Hegarty, McCabe, and Russo and Mrs. O'Brien has been nominated by the Board of Directors, upon the recommendation of its Nominating and Governance Committee, to stand for election for a term expiring at the annual meeting of stockholders to be held in 2008. With the exception of Mrs. O'Brien who was appointed to the Board of Directors in December 2004, each of these Board nominees has been previously elected by the Company's stockholders. Mrs. O'Brien was recommended to the Nominating and Governance Committee as a candidate for director by one of our non-management directors. Each of these nominees has consented to being named in this proxy statement as a Board nominee and to serve if elected. John O. Mead, a former Class A director, retired from the Board of Directors and passed away during 2004.

Unless otherwise instructed, it is the intention of the proxy holders to vote the proxies received by them in response to this solicitation FOR the election of the nominees named above as directors. If any such nominee should refuse or be unable to serve, the proxies will be voted for such person as shall be designated by the Board of Directors to replace such nominee. The Board of Directors has no reason to believe that any of the Board nominees will refuse or be unable to serve as a director if elected.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE

FOR ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.

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The following table sets forth certain information regarding the Board nominees and members of the Board of Directors of the Company whose terms will continue after the annual meeting.

<u>Name</u>	<u>Age⁽¹⁾</u>	<u>Position(s) with the Company</u>	<u>Director Since⁽²⁾</u>	<u>Term Expires</u>
Gerard P. Tully, Sr.	77	Chairman of the Board	1967	2007
Michael J. Hegarty ⁽⁴⁾	65	President, Chief Executive Officer and Director	1987	2008 ⁽³⁾
John R. Buran ⁽⁴⁾	55	Executive Vice President, Chief Operating Officer and Director	2003	2007
James D. Bennett	66	Director	1998	2007
Steven J. D. Iorio ⁽⁵⁾	55	Director	2004	2006
Louis C. Grassi	49	Director	1998	2006
John J. McCabe	61	Director	2003	2008 ⁽³⁾
Vincent F. Nicolosi	65	Director	1977	2007
Donna M. O'Brien ⁽⁵⁾	49	Director	2004	2008 ⁽³⁾
Franklin F. Regan, Jr.	75	Director	1969	2006
John E. Roe, Sr.	71	Director	1968	2006
Michael J. Russo	70	Director	1984	2008 ⁽³⁾

(1) As of December 31, 2004.

(2) Where a director's period of service relates to a period prior to May 9, 1994, the date of the Company's incorporation, the period specified relates to the date the individual commenced service as director or trustee of the Bank or its predecessor.

(3) Subject to re-election at the annual meeting.

(4) Mr. Hegarty is scheduled to retire as President and Chief Executive Officer of the Company on June 30, 2005 but will continue as a director. John R. Buran was named to succeed him as President and Chief Executive Officer on that date.

(5) Mr. D. Iorio and Mrs. O'Brien were appointed by the Board of Directors and commenced service as directors of the Company on December 21, 2004.

Set forth below is certain information with respect to the Board nominees and other directors of the Company. Unless otherwise indicated, the principal occupation listed below for each person has been his or her principal occupation for the past five years.

Board Nominees

Michael J. Hegarty has served as President and Chief Executive Officer of the Company and the Bank since October 1, 1998. He joined the Company as Executive Vice President and Corporate Secretary and the Bank as Executive Vice President and Chief Operating Officer in 1995. Prior to that, he was Vice President Finance as well as Corporate Secretary and Treasurer and a director of EDO Corporation, a manufacturer of defense systems and components. Mr. Hegarty remains a director of EDO Corporation. Mr. Hegarty also serves on the board of directors of the Community Bankers Association of New York State.

John J. McCabe has served as Chief Investment Strategist of Shay Assets Management for the past ten years and is co-manager of each of the following funds managed by Shay Assets Management: John Hancock Large Cap Select Fund and the Asset Management Fund Large Cap Equity Institutional Fund. He has also served as Managing Director of Sterling Manhattan Corp., an investment banking firm, and spent 19 years at Bankers Trust Company serving in various capacities, including Managing Director of the Investment Management Group, Director of Investment Research and member of the Senior Investment Policy Committee. Mr. McCabe is a director of the New York Society of Security

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Analysts, having served twice as its President. He is a past director of the Financial Analysts Federation and a Founding Governor of the CFA Institute. He is also an Adjunct Professor of Finance at St. Francis College and serves on the board of the American Geographical Society.

Donna M. O'Brien was the Executive Vice President and Chief Administrative Officer of Catholic Health System of Long Island, an organization which includes hospitals, nursing homes, home care, hospice, services

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for the disabled and senior housing in Nassau and Suffolk Counties in New York, until March 2004. Prior to assuming that position in May 1997, she held leadership positions in the Alliance for Catholic Healthcare in New York and the M.D. Anderson Cancer Center in Houston, Texas. Mrs. O'Brien has over 20 years experience as a healthcare executive. She is a director of the Christus Health System in Dallas, Texas and has served as trustee of several other healthcare organizations.

Michael J. Russo is self-employed as a consulting engineer and serves as Chairman of the Board and Corporate Secretary of Fresh Meadow Mechanical Corp., a mechanical contracting firm. Mr. Russo is President and Director of Operations of Northeastern Aviation Corp., an aircraft charter and management firm, and is a partner in AMF Associates, a commercial real estate company. Mr. Russo also serves as Chairman of the Board of Trustees of Flushing Hospital Medical Center. Prior to his retirement in 2004, Mr. Russo served as Chairman of the Board of Anthony Russo, Inc., a general contracting firm, for over 20 years.

Continuing Directors

Gerard P. Tully, Sr. has served as Chairman of the Board of the Company since its formation in 1994, and as Chairman of the Board of the Bank since 1980. Mr. Tully served as Chief Executive Officer of the Bank from 1981 through 1989. Mr. Tully is an officer and a director of Van-Tulco, Inc. and Tulger Contracting Corp., construction companies, Bainbridge Avenue Corp., 1620 Ralph Avenue Corp. and Contractors Associates Inc., real estate holding companies, and Whitestone Properties Associates, Inc., a real estate management company.

James D. Bennett is of counsel to the law firm of Farrell, Fritz, P.C. in Uniondale, New York, with a practice in civil law and real estate. He also serves as Chief Executive Officer of Land Enterprises, Inc., a realty investment and management firm. Prior to July 2001, Mr. Bennett was a partner in the law firm of Bennett, Rice & Schure, LLP in Rockville Centre, New York. In the past, he has served as a Trustee of both the Long Island Power Authority and the New York State Conservation Fund Advisory Council, as Supervisor and a Councilman of the Town of Hempstead, and as a Commissioner of the New York State Public Service Commission.

John R. Buran has served as Executive Vice President and Chief Operating Officer of the Company and the Bank since January 2001. Prior to joining the Bank, Mr. Buran was a consultant for approximately one year. Mr. Buran was Executive Vice President of the New York Metro Division of Fleet Bank, NA from 1996 to 2000, and Senior Vice President, Division Head, Retail Services of NatWest's Consumer Banking Group from 1994 to 1996. Prior to 1994, he held several management positions at Citibank/Citicorp, most recently as Vice President, New York Investment Sales.

Steven J. D'Iorio is the Senior Director of Real Estate and Construction for Time Warner Inc. Mr. D'Iorio has over 30 years experience in commercial real estate construction, project management, and building enhancement strategies. Mr. D'Iorio has held senior management positions with National Westminster Bank, Olympia & York, and Grand Central Building, Inc.

Louis C. Grassi is Managing Partner of Grassi & Co., CPAs, P.C. located in Lake Success, New York, with a practice in accounting, tax and management consulting services. He is a licensed certified fraud examiner, an author and an editor of a national tax and accounting publication.

Vincent F. Nicolosi is a partner in the law firm of Nicolosi & Nicolosi in Manhasset, New York. For over 25 years, he has been engaged in the practice of law with an emphasis on civil litigation. Since December 1998, Mr. Nicolosi has served as a Commissioner of the New York State Investigation Commission. Mr. Nicolosi served as a Queens Assistant District Attorney from 1967 to 1972. From 1973 to 1980, Mr. Nicolosi

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was a member of the New York State Assembly, serving as Chairman of the Assembly Insurance Committee from 1977 to 1980.

Franklin F. Regan, Jr. is of counsel to the law firm of Cullen and Dykman Bleakley Platt LLP, with a practice specializing in real estate and banking matters, including commercial, residential and multi-family real

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estate lending; other commercial lending; bank regulatory matters; and commercial and residential bankruptcy and foreclosure matters. Prior to July 2001, Mr. Regan maintained a general law practice in Flushing, New York.

John E. Roe, Sr. is Chairman of the Board of City Underwriting Agency, Inc., insurance brokers, located in Lake Success, New York.

Executive Officers Who Are Not Directors

The following persons currently serve as executive officers who are not directors of the Company.

<u>Name</u>	<u>Age</u> ⁽¹⁾	<u>Position(s) with the Company</u>
David W. Fry ⁽²⁾	54	Senior Vice President, Treasurer and Chief Financial Officer
Henry A. Braun	59	Senior Vice President
Robert L. Callicutt	62	Senior Vice President
Francis W. Korzekwinski	42	Senior Vice President
Anna M. Piacentini	58	Senior Vice President and Corporate Secretary

(1) As of December 31, 2004.

(2) Appointed in July 2004 following the retirement of Monica C. Passick.

Set forth below is certain information with respect to the executive officers who are not directors of the Company.

David W. Fry has been Senior Vice President, Treasurer and Chief Financial Officer of the Company since July 2004. Mr. Fry joined the Bank in 1998 as Vice President/Controller. Prior to joining the Bank, he held senior management positions at Home Federal Savings Bank, Anchor Savings Bank, and City Federal Savings Bank. Mr. Fry is a certified public accountant.

Henry A. Braun has been a Senior Vice President of the Company since 1995. Mr. Braun joined the Bank in 1994 as Senior Vice President/Bank Operations, a position he previously held at The Greater New York Savings Bank where he was employed for five years. Prior to that, Mr. Braun was with The Williamsburgh Savings Bank for twenty years, rising from Assistant Vice President/EDP Auditor to Vice President/Auditor to Senior Vice President/Operations to Executive Vice President and Chief Operating Officer.

Robert L. Callicutt has been a Senior Vice President of the Company since 1999. Mr. Callicutt joined the Bank in 1995 as Vice President of Residential Mortgage Banking. Prior to joining the Bank, he was Senior Vice President of Mid-Island Equities Corp., a mortgage banking company, for seven years. Prior to that, he served as Vice President and Manager of Dean Witter Reynolds, a stock brokerage firm, in its mortgage whole loan trading department.

Francis W. Korzekwinski has been a Senior Vice President of the Company since 1999. Mr. Korzekwinski joined the Bank in 1993 as Assistant Vice President of Commercial Real Estate and was promoted to Vice President in 1995. He is also responsible for commercial real

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estate lending activity of the New York Federal Division of the Bank. Prior to joining the Bank, Mr. Korzekwinski was Vice President, Mortgage Officer at Bankers Federal Savings Bank, FSB for five years. Prior to that, he served as Vice President of Secondary Marketing for a mortgage banking company.

Anna M. Piacentini has been a Senior Vice President of the Company since 1995. In 1998, Ms. Piacentini was named Corporate Secretary of the Company. Ms. Piacentini joined the Bank in 1969 and has served in various capacities including as an Executive Assistant for Branch Operations, Assistant Secretary for Human Resources and Assistant Vice President of Human Resources. In 1984, Ms. Piacentini was named Vice President/Human Resources of the Bank and in 1994 was promoted to Senior Vice President/Human Resources of the Bank. Ms. Piacentini has served as Corporate Secretary of the Bank since 1995.

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CORPORATE GOVERNANCE

Independence of Directors

The Board of Directors has determined that eight of the twelve members of the Board are independent under the Nasdaq director independence standards. Under these standards, a director is not independent if he or she has certain specified relationships with the Company or any other relationship which in the opinion of the Board would interfere with the exercise of independent judgment as a director. Messrs. Hegarty and Buran are not independent because they are executive officers of the Company. Messrs. Tully and Regan are not independent as a result of the respective consulting and legal fees they receive from the Company. In evaluating the independence of the remaining directors, the Board considered the payments described below under the headings "Director Compensation Fee Arrangements" and "Director Compensation Related Party Transactions" and determined that they did not impair independence.

Meetings and Committees of the Board of Directors

The Board of Directors meets on a monthly basis and may have additional special meetings upon the request of the Chairman of the Board, the President or a majority of directors in office at the time. During 2004, the Board of Directors held 12 regular meetings and one special meeting. No director attended less than 75% of the meetings of the Board of Directors and its committees on which he served. The Board of Directors has established the following committees, among others:

Compensation Committee. The Compensation Committee is composed of Messrs. Nicolosi (Chairman), Grassi, Roe, and Russo and Mrs. O'Brien, all of whom are independent under Nasdaq corporate governance standards. This committee has primary responsibility for establishing and administering the compensation and benefit programs of the Company for its executive officers and other key personnel, and recommends to the Board of Directors grants to employees under the Company's stock option and restricted stock plans. This committee meets on an as needed basis. During 2004, this committee met five times. The Report of the Compensation Committee is included at page 12.

Audit Committee. The Audit Committee is composed of Messrs. Grassi (Chairman), Roe, and Russo and Mrs. O'Brien, all of whom are independent under Nasdaq corporate governance standards and satisfy the SEC independence requirements for audit committee members. This committee meets at least quarterly to assist the Board of Directors in meeting its oversight responsibilities. The Audit Committee has sole authority to appoint and replace the Company's independent registered public accounting firm and is directly responsible for the compensation and oversight of the work of that firm. This committee reviews the results of regulatory examinations, the financial reporting process, the systems and processes of internal control and compliance, and the audit process of the Company's independent registered public accounting firm. This committee also has the authority to engage independent counsel and other advisers. During 2004, this committee met eight times. The Report of the Audit Committee is included at page 22. The committee's charter was attached as Appendix A to the Company's proxy statement for its 2003 annual meeting of stockholders.

Nominating and Governance Committee. The Nominating and Governance Committee is composed of Messrs. Roe (Chairman), Bennett, McCabe and Russo, all of whom are independent under Nasdaq corporate governance standards. This committee has primary responsibility for recommending to the Board of Directors the slate of director nominees to be proposed by the Board for election by the stockholders (as well as any director nominees to be elected by the Board to fill interim vacancies). The committee also recommends the directors to be selected for membership on the various Board committees and the chairs of those committees. The committee is responsible for developing and recommending to the Board appropriate corporate governance policies and procedures and for approving proposed related party transactions involving directors or executive officers and the Company. The charter of the Nominating and Governance Committee is not available on the

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Company's website, but was attached as Appendix A to the Company's proxy statement for its 2004 annual meeting of stockholders. This committee held three meetings during 2004.

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Other Committees. In addition to the committees described above, the Board of Directors has established an Executive Committee, an Insurance Committee, and an Investment Committee.

Bank Board and Committees. The business of the Bank is conducted at regular and special meetings of the Bank's Board of Directors (the Bank Board) and its committees. The Bank Board and the Board of Directors are identically constituted. During 2004, the Bank Board held 12 regular meetings. The Bank Board maintains executive, insurance, investment, compensation and audit committees. The membership of these committees is the same as that of the comparable committees of the Company's Board of Directors. These committees serve substantially the same functions at the Bank level as those of the Company. The Bank Board also maintains a loan committee, a compliance committee, a CRA committee and an ethics committee. No director attended less than 75% of the meetings of the Bank Board and its committees on which he served. Directors of the Bank are nominated by the Bank Board nominating committee and elected by the Company as sole stockholder of the Bank.

Director Compensation

Fee Arrangements. Directors who are not executive officers of the Company or the Bank (Outside Directors) receive an annual retainer of \$30,000 from the Bank, with no additional retainer from the Company. The Chair of the Audit Committee receives an additional annual retainer of \$10,000 and the Chair of the Compensation Committee receives an additional annual retainer of \$5,000. Outside Directors also receive meeting fees of \$1,500 for each Board or Bank Board meeting attended, \$1,000 for each Audit Committee or Compensation Committee meeting attended, and \$750 for each other committee meeting attended, whether or not they are members of such committee. However, where the Board of Directors and the Bank Board meet on the same day, directors receive only a single board meeting fee for such meetings. Similarly, directors receive only a single committee meeting fee where identically constituted committees of the Board of Directors and Bank Board meet on the same day.

Outside Directors who are members of the Loan Committee also receive a fee from the Bank for conducting on-site inspections of proposed real estate collateral for certain loans. For each day that a director conducts such inspections, the director receives a fee of \$400 for the first property inspected and \$200 for each additional property inspected on that day. During 2004, site inspection fees of \$7,600 were paid to Mr. Bennett, \$5,000 to Mr. Nicolosi and \$21,200 to Mr. Regan.

For the year ended December 31, 2004, the aggregate amount of retainer, meeting and site inspection fees paid by the Bank to Outside Directors was \$624,300. In addition to his retainer and meeting fees, in 2004 Mr. Tully received a fee of approximately \$155,000 for providing additional consulting services to the Bank and the Company in his capacity as Chairman. The Bank has agreed to increase this fee to \$160,000 per year for 2005 and 2006. During 2004, the Bank paid \$35,692 in legal fees to Mr. Nicolosi for certain litigation and contract matters.

Related Party Transactions. Under the Bank's lending policies, residential mortgage loans are not made to directors and executive officers. However, such loans are made to immediate family members of directors and executive officers at market rates of interest and other normal terms but with reduced origination fees. There were nine such loans outstanding to immediate family members of executive officers or directors with balances in excess of \$60,000 at some time since the beginning of 2004. The highest aggregate balance of these loans at any time since January 1, 2004 was \$1,937,200 and the aggregate balance of these loans at January 31, 2005 was \$1,661,300. All such loans were made in the ordinary course of business and were fully approved in accordance with all of the Bank's credit underwriting standards. No such loans were made during 2004. The Bank believes that such loans do not involve more than the normal risk of collectability or present other unfavorable features.

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Since 1981, Franklin F. Regan, Jr. (or his law firm) has had a retainer agreement with the Bank, pursuant to which he (or his law firm) is paid an annual retainer for general legal services to the Bank. Mr. Regan, currently

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of counsel with the law firm of Cullen and Dykman Bleakley Platt LLP, represents the Bank in connection with some of its mortgage foreclosure actions. In his of counsel capacity with Cullen and Dykman, Mr. Regan also represents the Bank in closings of residential and certain commercial real estate loans, the fees of which are paid by borrowers. Under an agreement between Mr. Regan and Cullen and Dykman dated July 1, 2001, Mr. Regan receives 22.5% of the fees paid by the Bank and its borrowers to Cullen and Dykman for a period of ten years, at which time the percentage payable is reduced to 12.5% for an additional ten-year period. The agreement may be terminated earlier upon either Mr. Regan's death or the Bank's failure to continue the services rendered by Cullen and Dykman. Termination generally entitles Mr. Regan or his heirs to receive a payment equal to, in the case of his death, two times the amount paid to him in the immediately preceding year (which payment is adjusted pro rata if cessation of services to the Bank occurs during the two-year period following his death) and, in the case of cessation of services to the Bank, \$100,000. In this regard, the current fees paid by borrowers for loan closings are: \$575 for residential loans; \$975 for mixed-use property transactions; and within the range of \$1,750 to \$8,000 for commercial real estate loans. In 2004, the Bank paid to Mr. Regan an aggregate of \$41,000 as a retainer for general legal services. This amount was credited to an account of Cullen and Dykman in accordance with Mr. Regan's agreement with that firm. Also in 2004, the Bank paid to Cullen and Dykman an aggregate of \$56,535 for fees for general legal services. Borrowers paid an aggregate of \$1,827,169 to Cullen and Dykman in connection with loan closings over the same period. Mr. Regan's interest in all of the above payments from the Bank and its borrowers to Mr. Regan and/or Cullen and Dykman is an aggregate of \$433,058. In connection with some of the foregoing transactions, Cullen and Dykman has engaged Ultimate Abstract Services, Inc., a title company fifty percent owned by Mr. Regan's son. Neither the Company nor the Bank is involved in the selection of this title company, and fees and expenses for title work are generally paid by the borrowers. Borrowers paid an aggregate of approximately \$178,968 to this title company in 2004 in connection with transactions to which the Bank was a party. In addition, the Bank leases office space to Cullen and Dykman in its 159-18 Northern Boulevard building at a market rental rate, which Mr. Regan uses in his law practice. Mr. Regan is a director of the Company and the Bank.

John J. McCabe, a director of the Company and the Bank, serves as Chief Investment Strategist of Shay Assets Management and is a co-manager and vice president of each of the John Hancock Large Cap Select Fund and the Asset Management Fund Large Cap Equity Institutional Fund (the AMF Equity Fund), which are managed by Shay Assets Management. The Bank maintains investments in three funds managed by Shay Assets Management, including the AMF Equity Fund. The Bank's investment in these funds pre-dates Mr. McCabe's service as a director. The portion of the management fees paid to Shay Assets Management by these funds that are attributable to investments of the Bank totaled approximately \$72,000 in 2004. Mr. McCabe receives no remuneration from the funds. In addition, from time to time the Bank executes trades using the brokerage services of Shay Assets Management. In 2004, the Bank paid fees of approximately \$5,000 to Shay Assets Management in connection with the purchase of bonds. Michael J. Hegarty, the President and Chief Executive Officer and a director of the Company and the Bank, has been nominated to serve as a director of the AMF Equity Fund.

Director Deferred Compensation Plan. The Bank has adopted an Outside Director Deferred Compensation Plan pursuant to which Outside Directors may elect to defer all or a portion of their annual retainer, meeting fees, and inspection fees. Deferred amounts are credited with earnings based on certain mutual fund investments. The deferred amounts plus earnings thereon will be paid to the director in cash after the director's termination of service, either in a lump sum or, if the director so elects, in annual installments over a period not to exceed five years. The Company has guaranteed the payment of benefits under the Outside Director Deferred Compensation Plan. A director's right to receive benefits under the plan is no greater than the right of an unsecured general creditor of the Bank or the Company. As of December 31, 2004, there were no participants in this plan.

Director Retirement Plan. The Bank has adopted an Outside Director Retirement Plan, which provides benefits to each Outside Director who served as an Outside Director for at least five years and whose years of service as an Outside Director plus age equals or exceeds 55. Benefits are also payable to an Outside Director

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whose status as an Outside Director terminates due to death or disability or who is an Outside Director upon a change of control of the Company or the Bank. However, no benefits will be payable to a director who becomes an Outside Director after January 1, 2004 or who is removed for cause. An eligible director will be paid an annual retirement benefit equal to the last annual retainer paid prior to the director's retirement plus the total amount of Board and Bank Board meeting fees which were paid to the director for the 12 months immediately preceding retirement, but not more than \$48,000. Such benefit will be paid in equal monthly installments for the lesser of the number of months such director served as an Outside Director or 120 months. In the event of a change of control, benefits under the plan will be paid in a cash lump sum; each eligible director with at least two years of service as an Outside Director will receive the equivalent of 120 months of benefits, and each eligible director with less than two years of service will receive the equivalent of monthly benefits for the number of months he served as an Outside Director. If the Outside Director dies before receiving all benefits payable under the plan, the remaining benefits will be paid to the Outside Director's surviving spouse. The Company has guaranteed the payment of benefits under the Outside Director Retirement Plan. A director's right to receive benefits under the plan is no greater than the right of an unsecured general creditor of the Bank or the Company.

Stock Options and Restricted Stock. Pursuant to the Company's restricted stock and stock option plans, each person who becomes an Outside Director receives (to the extent there are shares available), as of the date of his or her first election, 8,437 shares of restricted stock and options to purchase 16,875 shares of common stock. Each such stock option and restricted stock grant vests with respect to 20% of the covered shares on each of the first five anniversaries of the grant date, provided that the Outside Director is then serving on the Board of Directors of the Company or one of its subsidiaries. In addition, each Outside Director receives an automatic annual grant of 1,687 restricted stock units and options to purchase 14,850 shares of common stock, with such awards vesting in equal installments over a three-year period. All options granted to Outside Directors under the Company's stock option plan have an exercise price equal to the fair market value of the common stock on the date of grant of the option and are granted with tandem limited stock appreciation rights. The grants vest in full upon the Outside Director's termination of service by reason of death, disability or retirement, or in the event of a change of control of the Company or the Bank. The equity compensation of Outside Directors will be modified in a number of ways under the Company's proposed 2005 Omnibus Incentive Plan if stockholders approve that plan. See Proposal No. 2.

Indemnity Agreements. The Company and the Bank have entered into an Indemnity Agreement with each of the directors and executive officers, which agreements provide for mandatory indemnification of each director or executive officer to the full extent permitted by law for any claim arising out of such person's service to the Company or the Bank. The agreements provide for advancement of expenses and specify procedures for determining entitlement to indemnification in a particular case.

Director Nominations

In evaluating director candidates for purposes of recommending director candidates to the Board, the Nominating and Governance Committee will consider the following factors: the candidate's moral character and personal integrity; whether the candidate has expertise and experience relevant to the Company's business (including knowledge of the communities and markets served by the Bank); whether the candidate's expertise and experience complements the expertise and experience of the other directors; whether the candidate would be independent under the Nasdaq corporate governance standards; whether the candidate would be independent of any particular constituency and able to represent the interests of all stockholders of the Company; the congeniality of the candidate with the other directors; whether the candidate would have sufficient time available to devote to Board activities; and any other factors deemed relevant by the Committee.

The Nominating and Governance Committee will consider director candidates recommended by stockholders of the Company. Stockholders may recommend an individual for consideration by submitting to the Committee the name of the individual, his or her background (including education and employment history), a statement of the particular skills and expertise that the candidate would bring to the Board, the name, address and

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number of shares of the Company owned by the stockholder submitting the recommendation, any relationship or interest between such stockholder and the proposed candidate, and any additional information that would be required under applicable SEC rules to be included in the Company's proxy statement if such proposed candidate were to be nominated as a director.

Such submissions should be addressed to Flushing Financial Corporation Nominating and Governance Committee, at the Company's executive offices. In order for a candidate to be considered for any annual meeting, the submission must be received by the Committee no later than the November 1 preceding such annual meeting.

The Nominating and Governance Committee will evaluate the biographical information and background material relating to each potential candidate and may seek additional information from the submitting stockholder, the potential candidate, and/or other sources. The Committee may hold interviews with selected candidates. Individuals recommended by stockholders will be considered under the same factors as individuals recommended by other sources.

Mr. D. Iorio and Mrs. O. Brien, who were appointed to the Board of Directors in December 2004, were each recommended as candidates for director by a non-management director of the Company.

Stockholder Communications with the Board of Directors

The Company's Board of Directors has adopted the following policy by which stockholders may communicate with the Board or with individual directors or Board committees. The communication should be in writing, addressed to the Board or applicable committee or directors, c/o Corporate Secretary, Flushing Financial Corporation, at the Company's executive offices. The Corporate Secretary will review all such correspondence received and will periodically, at least quarterly, forward to the applicable directors a summary of all such correspondence together with copies of correspondence that the Corporate Secretary believes should be seen in its entirety. Correspondence or summaries will be forwarded to the applicable directors on an expedited basis where the Corporate Secretary deems it appropriate. Communications raising concerns related to the Company's accounting, internal controls, or auditing matters will be immediately brought to the attention of the Company's Internal Auditor and the Chairman of the Audit Committee and will be handled in accordance with the procedures established by the Audit Committee with respect to such matters.

Directors may at any time review a log of correspondence received by the Company that is addressed to the director (or to the full Board or a Board committee on which he serves) and may request copies of any such correspondence.

The Company believes that it is important for directors to directly hear concerns expressed by stockholders. Accordingly, it is the Company's policy that Board members are expected to attend the annual meeting of stockholders absent a compelling commitment that prevents such attendance. All of the members of the Board of Directors at the time of the 2004 annual meeting attended such meeting.

Code of Business Conduct and Ethics

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The Company has adopted a Code of Business Conduct and Ethics that applies to all of its directors, officers and employees. This code is publicly available on the Company's website at <http://www.flushingsavings.com> by following the links to investor relations and then corporate governance, and then Code of Business Conduct and Ethics. Any substantive amendments to the code and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC or Nasdaq rules will be disclosed in a report on Form 8-K.

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EXECUTIVE COMPENSATION

Report of the Compensation Committee

Compensation Philosophy. The Company's executive compensation program is intended to link management's pay with the Company's annual and long-term performance. The Compensation Committee believes it is important to attract and retain highly-qualified senior managers by providing compensation opportunities that are both competitive with the market for executive talent and consistent with the Company's performance. At the end of 2003, the Committee retained a firm of independent compensation consultants to review the compensation of the Company's executive officers. The consulting firm's recommendations were taken into account by the Committee in its salary and bonus decisions for 2004. In May 2004, the Committee expanded the scope of the services to be provided by the consultants to include a broader assessment of the effectiveness of the Company's remuneration programs for its executive officers and recommendations in anticipation of the changes in accounting for equity compensation and in light of executive compensation developments generally. The consultants' recommendations from this portion of the project were taken into account by the Committee in its grant of equity awards in 2004 and its recommendation to adopt the 2005 Omnibus Incentive Plan which is being submitted for stockholder approval at this annual meeting. The consultants were also asked to review the compensation of the Company's Outside Directors, and based on their recommendations the eligibility and maximum benefits under the Company's Outside Director Retirement Plan were frozen effective in 2004, and the equity compensation of outside directors will be revised upon stockholder approval of the 2005 Omnibus Incentive Plan.

The following is a discussion of the Company's executive compensation program as in effect during 2004, including a description of the decisions and actions taken by the Committee with respect to 2004 compensation for the Chief Executive Officer.

Salary and Incentive Bonus. The key factor in the Committee's salary and bonus determinations in 2004 was a peer group analysis prepared by independent compensation consultants retained by the Committee. As compared to prior peer group analyses, the consultants excluded several larger savings banks in the New York metropolitan area, and included several banks closer in size to the Company but located outside major metropolitan areas.

In determining the base salary and annual incentive bonus of executive officers, the Committee took into consideration a variety of factors in addition to the compensation paid by peer group companies, including the individual executive's level of responsibility and individual performance, and the financial and operational performance of the Company and the Bank in relation to their competitors. The most recent benchmarking analysis performed by the consultants indicated that salary and bonus levels of the Company's executive officers were generally at the median, except that the Chief Executive Officer's salary and bonus were substantially above the median. The salary and bonus levels set by the Committee for 2004 were intended to position compensation levels at or about the median of our peer group, adjusted for the other factors noted above.

The annual incentive bonus paid to executive officers was determined by the Committee at the end of the year based on its assessment of the Company's and the Bank's performance during the year as well as each individual executive officer's contribution to such performance. In June 2004, the Committee approved a bonus pool of approximately 3% of pre-tax earnings and established guideline bonus amounts of 40% of salary for the Company's Chief Executive Officer and Chief Operating Officer, 30% of salary for the Company's other executive officers, and lesser amounts for other officers, but reserved the right to set bonuses at, above or below these levels. In December 2004, the Committee compared the Company's performance for the year against budgeted amounts of, among other categories, total assets, pre-tax income, earnings per share, and book value per share. For two of these categories, pre-tax income and earnings per share, the Company's operating results did not meet the budgeted amounts. This was due to several non-budgeted items which were recorded during the year: the retirement payments to the Company's Chief Executive Officer and Chief Financial Officer, and the adjustment to compensation expense recorded in the first quarter of the year that related to prior years. Excluding

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these non-budgeted items, the Company exceeded the budgeted amounts for pre-tax income and earnings per share. The Committee also compared the Company's performance against budget and to its peer group in the areas of return on average assets, net interest margin, efficiency ratio, and return on average equity. In these categories, the Company out-performed the peer group and approached, but did not attain, budgeted amounts. Excluding the non-budgeted items mentioned above, the Company would have exceeded the budgeted amounts in these categories, with the exception of net interest margin. The Committee decided to exclude the non-budgeted amounts mentioned above when considering the bonuses to be awarded. Based on these adjusted results, the Committee determined to award bonuses to the executive officers in excess of the guideline amounts, with the exact amount of each bonus based on evaluations of the individual performance of each officer.

After due consideration, the Committee determined that Mr. Hegarty's salary would remain the same as in 2003. The Committee awarded him a bonus of \$225,000, constituting 45.5% of his base salary.

Long-Term Compensation. The Company has adopted restricted stock and stock option plans, which have been approved by stockholders. In 2004, the Company amended its restricted stock plan to permit the grant of restricted stock units (RSUs) payable in shares of common stock as an alternative to restricted stock. The Committee does not make routine annual grants to executive officers under these plans, but instead has considered each year whether to make such awards consistent with the goal of the plans to compensate, incent and retain talented personnel. The Committee made large initial grants under these plans at the time of their adoption in 1996, followed by several years of small or no across-the-board grants. In 2001, the 1996 awards became fully vested and the Committee made modest across-the-board grants to further incent executive officers. In 2002, the Committee made across-the-board grants to executive officers at a slightly higher level than the 2001 grants in recognition of the Company's sustained stock price and operating performance over the two-year period. In 2003, the Committee took into account the developing trends toward reduction in the overall amount of equity compensation and the shifting of such compensation from stock options to restricted stock, and granted each of the executive officers stock options at a level of approximately 50% of their 2002 grant (measured by number of shares subject to option) and restricted stock at a level of approximately 70% of 2002 grants (measured by the dollar value of the restricted stock on the date of grant).

The Committee's 2004 grants generally continued this trend, with two exceptions. The awards to most executive officers reflected a 33-1/3% increase in the number of shares of restricted stock or RSUs granted. At the same time, the stock option grants for executive officers were reduced to slightly more than 50% of the prior year's grants (measured by the number of shares subject to option). In anticipation of the change in accounting principles which would require the expensing of stock options beginning in 2005, the 2004 options were all scheduled to vest in December 2004 assuming continued employment to that date. This shorter than usual vesting period also influenced the reduced grant size. The two exceptions to the above pattern were Mr. Hegarty and Mr. Fry. Mr. Hegarty's awards were reduced in anticipation of his retirement. Mr. Fry received a significant increase in his awards over 2003 in recognition of his promotion to Chief Financial Officer.

Retirement Agreements. In December 2004, as part of a succession planning process which occurred over the past several years, the Committee, the Board of Directors and Mr. Hegarty agreed that Mr. Hegarty would retire on June 30, 2005. In order to provide for an orderly succession process, the Company entered into a Retirement Agreement with Mr. Hegarty in December 2004 providing for his retirement as Chief Executive Officer on June 30, 2005 and his continued service on the Board of Directors following his retirement. The Retirement Agreement provides that Mr. Hegarty will receive upon his retirement the payments and benefits he would have been entitled to receive under his Employment Agreements if the Company failed to renew such agreements. The Retirement Agreement also provides the same payments to Mr. Hegarty's estate in the event of his death prior to his retirement.

Section 162(m). Section 162(m) of the Internal Revenue Code of 1986 limits the deductibility of compensation in excess of \$1 million paid to each of the named executive officers, excluding from this limit performance-based compensation as defined for purposes of that Section. Prior to the 2002 stock option grants,

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the Company's stock option plan failed to satisfy one of the technical requirements of Section 162(m), but grants made on and after the 2002 option grant date are intended to comply with the requirements of that Section. The Company's restricted stock and incentive bonus plans were not intended to qualify as performance-based because the Committee believed that the flexibility afforded by the design of these plans was desirable and, in light of historical compensation levels, that compliance with Section 162(m) was unnecessary because compensation was unlikely to exceed the \$1 million deduction limit. In 2003, Mr. Hegarty's compensation exceeded this limit, in large measure due to his exercise of pre-2002 stock options. The Committee has approved the 2005 Omnibus Incentive Plan, which, if approved by stockholders at this annual meeting, will enable it to structure future annual bonus awards as well as restricted stock and other long-term equity awards so as to qualify as performance-based under Section 162(m). However, the Committee may choose to pay compensation which is not deductible under Section 162(m) if it believes such compensation is appropriate.

Submitted by the Compensation Committee of the Board of Directors,

Vincent F. Nicolosi Chairman	Louis C. Grassi, CPA	Donna M. O'Brien	John E. Roe, Sr.	Michael J. Russo
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Compensation Committee Interlocks and Insider Participation

During most of 2004, the Compensation Committee consisted of Messrs. Nicolosi (Chairman), Grassi, Mead, Roe and Russo. Following Mr. Mead's retirement, Mrs. O'Brien was appointed to serve on the Compensation Committee in December 2004. None of the current members of the Compensation Committee are former officers of the Company or the Bank. During 2004, the Bank paid \$35,692 in legal fees to Mr. Nicolosi for certain litigation and contract matters.

Under the Bank's lending policies, residential mortgage loans to immediate family members of directors are made at market rates of interest and other normal terms but with reduced origination fees. Five such loans which are outstanding to immediate family members of directors who were members of the Compensation Committee during 2004 had balances in excess of \$60,000 at some time since the beginning of 2004. The highest aggregate balance of those loans at any time since January 1, 2004 was \$1,092,500 and the aggregate balance of those loans at January 31, 2005 was \$1,005,500. All of such loans were made in the ordinary course of business and were fully approved in accordance with all of the Bank's credit underwriting standards. These loans are included in the loans described under the heading Director Compensation Related Party Transactions. None of such loans was made in 2004. The Bank believes that such loans do not involve more than the normal risk of collectability or present other unfavorable features.

Table of Contents**Stock Performance Graph**

The following graph shows a comparison of cumulative total stockholder return on the Company's common stock since December 31, 1999 with the cumulative total returns of a broad equity market index as well as two published industry indices. The broad equity market index chosen was the Nasdaq Composite. The published industry indices chosen were the SNL Thrift Index and the SNL Mid-Atlantic Thrift Index. The SNL Mid-Atlantic Thrift Index has been included in the Company's Stock Performance Graph because the Company believes it provides valuable comparative information reflecting the Company's geographic peer group. The SNL Thrift Index has been included in the Stock Performance Graph because it uses a broader group of thrifts and therefore more closely reflects the Company's size. The Company believes that both geographic area and size are important factors in analyzing the Company's performance against its peers. The graph below reflects historical performance only, which is not indicative of possible future performance of the common stock.

**Comparison of Cumulative Total Return Among the Common Stock,
Nasdaq Composite,
SNL Thrift Index,
and SNL Mid-Atlantic Thrift Index⁽¹⁾**

	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04
Flushing Financial Corporation	\$ 100	124.41	189.10	177.62	303.24	339.07
NASDAQ Composite	\$ 100	60.82	48.16	33.11	49.93	54.49
SNL Thrift Index	\$ 100	159.68	170.68	203.60	288.23	321.15
SNL Mid-Atlantic Thrift Index	\$ 100	139.40	172.45	214.58	338.94	349.22

(1) Assumes \$100 invested on December 31, 1999 and all dividends reinvested through the end of the Company's fiscal year ended December 31, 2004. The performance graph above is based upon closing prices on the trading day specified. Information presented with respect to the Company's common stock reflects the three-for-two split of the stock paid in the form of a dividend on each of August 30, 2001 and December 15, 2003.

Table of Contents**Summary Compensation Table**

The following table sets forth the compensation paid by the Company and the Bank during the years ended December 31, 2004, 2003 and 2002 to the Chief Executive Officer and certain other executive officers.

Summary Compensation Table

Name and Principal Position(s)	Year	Annual Compensation		Long Term Compensation		
		Salary	Bonus	Restricted Stock/RSU Awards ⁽¹⁾	Securities Underlying Options/SARs(#)	All Other Compensation
Michael J. Hegarty ⁽²⁾ President and Chief Executive Officer of the Company and the Bank	2004	\$ 554,966 ⁽³⁾	\$ 225,000	\$ 41,850	5,000	\$ 138,057 ⁽⁴⁾
	2003	533,490 ⁽³⁾	210,000	205,050	22,500	134,243
	2002	503,252 ⁽³⁾	200,000	288,600	45,000	132,099
John R. Buran ⁽²⁾ Executive Vice President and Chief Operating Officer of the Company and the Bank	2004	\$ 290,772	\$ 150,000	\$ 167,400	10,000	\$ 52,253 ⁽⁵⁾
	2003	259,995	130,000	102,525	18,000	46,575
	2002	232,750	100,000	153,920	37,500	39,077
Monica C. Passick ⁽⁶⁾ Senior Vice President, Treasurer, and Chief Financial Officer of the Company; Senior Vice President/ Finance of the Bank	2004	\$ 96,854	\$ 210,500 ⁽⁶⁾	\$		\$ 27,753 ⁽⁶⁾
	2003	160,770	47,000	41,010	7,500	27,139
	2002	153,520	45,000	57,720	18,000	26,871
Francis W. Korzekwinski Senior Vice President of the Company; Senior Vice President/Commercial Real Estate of the Bank	2004	\$ 174,106	\$ 56,000	\$ 66,960	4,000	\$ 29,325 ⁽⁷⁾
	2003	163,500	56,000	41,010	7,500	27,839
	2002	155,000	52,000	57,720	18,000	27,364
Henry A. Braun Senior Vice President of the Company; Senior Vice President/Bank Operations of the Bank	2004	\$ 160,087	\$ 56,000	\$ 66,960	4,000	\$ 27,354 ⁽⁸⁾
	2003	150,500	54,000	41,010	7,500	26,020
	2002	143,350	48,000	57,720	18,000	24,244
Robert L. Callicutt Senior Vice President of the Company; Senior Vice President/Residential Mortgage Banking of the Bank	2004	\$ 150,173	\$ 55,000	\$ 66,960	4,000	\$ 26,118 ⁽⁹⁾
	2003	141,500	44,000	41,010	7,500	24,003
	2002	128,212	40,000	57,720	18,000	23,448

- (1) Reflects dollar value of restricted stock or restricted stock units granted, calculated by multiplying the number of shares or units granted by the closing market price of the common stock on the date of grant. The number of shares of restricted stock or restricted stock units held by each of the named executive officers on December 31, 2004 and the dollar value of such shares or units (based on the closing market price of the common stock on December 31, 2004) are as follows: Mr. Hegarty 35,200 shares/units, \$706,112; Mr. Buran 35,800 shares/units, \$718,148; Ms. Passick no shares/units, \$0; Mr. Korzekwinski 10,900 shares/units, \$218,654; Mr. Braun 10,900 shares/units, \$218,654; and Mr. Callicutt 10,900 shares/units, \$218,654. All grants of restricted stock or restricted stock units vest 20% per year beginning one year after the date of grant, subject to immediate vesting in the event of death, disability, retirement, or a change of control. Dividends or dividend equivalents are paid on all shares of restricted stock and restricted stock units.
- (2) Mr. Hegarty is scheduled to retire as President and Chief Executive Officer of the Company and the Bank on June 30, 2005, at which time Mr. Buran will assume those positions.
- (3) Includes mandatory deferred compensation equal to 10% of salary.

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- (4) Consists of \$6,268 in matching contributions to the 401(k) Plan, \$14,212 in contributions to the Profit Sharing Plan, \$50,000 credited toward Supplemental Retirement Benefits, and \$67,577 credited under the Supplemental Savings Incentive Plan (SSIP). Upon his retirement, Mr. Hegarty is entitled to receive supplemental retirement benefits valued as of December 31, 2004 at approximately \$655,000, of which \$300,000 has been previously disclosed in the Summary Compensation Table for this or prior years. Pursuant to his Retirement Agreement dated December 23, 2004, upon his scheduled retirement on June 30, 2005, Mr. Hegarty will also be entitled to receive a lump sum payment of \$769,500 and certain health and welfare benefits.

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- (5) Consists of \$6,268 in matching contributions to the 401(k) Plan, \$14,212 in contributions to the Profit Sharing Plan, and \$31,773 credited under the SSIP.
- (6) Ms. Passick retired in July 2004. Bonus amount consists of amount paid under Ms. Passick's Retirement Agreement dated June 16, 2004. Amount in All Other Compensation consists of \$2,278 in matching contributions to the 401(k) Plan, \$14,212 in contributions to the Profit Sharing Plan, and \$11,263 credited under the SSIP.
- (7) Consists of \$4,706 in matching contributions to the 401(k) Plan, \$14,212 in contributions to the Profit Sharing Plan, and \$10,407 credited under the SSIP.
- (8) Consists of \$4,243 in matching contributions to the 401(k) Plan, \$14,126 in contributions to the Profit Sharing Plan, and \$8,985 credited under the SSIP.
- (9) Consists of \$4,086 in matching contributions to the 401(k) Plan, \$13,547 in contributions to the Profit Sharing Plan, and \$8,485 credited under the SSIP.

Stock Options

The following table contains certain information with respect to stock options granted in 2004 under the Company's stock option plan to the named executive officers.

Option/SAR Grants in Last Fiscal Year

Name	Individual Grants					Potential Realizable Value at Assumed Rates of Stock Price Appreciation for Option Term (10 Years)(\$)(4)	
	Grant Date	Number of Securities Underlying Options/SARs Granted ⁽¹⁾	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/share) ⁽²⁾	Expiration Date ⁽³⁾	5%	10%
Michael J. Hegarty	6/15/04	5,000	7.14%	16.77	6/14/14	52,750	133,650
John R. Buran	6/15/04	10,000	14.28%	16.77	6/14/14	105,500	267,300
Monica C. Passick ⁽⁵⁾							
Francis W. Korzekwinski	6/15/04	4,000	5.71%	16.77	6/14/14	42,200	106,920
Henry A. Braun	6/15/04	4,000	5.71%	16.77	6/14/14	42,200	106,920
Robert L. Callicutt	6/15/04	4,000	5.71%	16.77	6/14/14	42,200	106,920

- (1) Each stock option was granted with a tandem limited stock appreciation right that may be exercised only within 90 days after a change of control. The stock options became exercisable on December 21, 2004.
- (2) Pursuant to the stock option plan, the exercise price equals the mean of the high and low sales price of the common stock on the day before the grant date.
- (3) The stock options (and tandem limited stock appreciation rights) are subject to termination prior to their expiration date in the event of termination of employment.
- (4) The potential realizable value reflected in the table represents the difference between (i) the price the common stock would attain at the end of the option's 10-year term if the price appreciated from the date of the stock option grant at a rate of 5% or 10% per year (as the case may be), and (ii) the option exercise price. The amounts shown in the table are the result of multiplying the amount described above by the number of options granted to the respective individual on the applicable grant date.
- (5) Ms. Passick retired in July 2004 and received no grants in 2004.

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The following table contains certain information with respect to stock options previously granted to the named executive officers.

**Aggregated Option/SAR Exercises in Last Fiscal Year
and Fiscal Year-End Option/SAR Values**

Name	Shares Acquired on Exercise(#) ⁽¹⁾	Value Realized (\$)	# of Securities Underlying Unexercised Options/SARs at FY-End ⁽¹⁾		Value of Unexercised In-the- Money Options/SARs at FY-End(\$) ⁽²⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael J. Hegarty ⁽³⁾	22,500	182,700	257,600	59,400	3,476,092	458,298
John R. Buran	16,200	169,842	85,150	104,400	803,794	1,055,376
Monica C. Passick ⁽⁴⁾	40,000	561,255	86,375		963,549	
Francis W. Korzekwinski	46,500	623,195	50,725	23,550	547,477	184,490
Henry A. Braun	30,000	392,850	81,475	23,550	1,016,415	184,490
Robert L. Callicutt	31,725	255,140	4,000	23,550	13,160	184,490

(1) The number of shares has been adjusted to reflect the three-for-two split of the Company's common stock paid in the form of a dividend on each of September 30, 1998, August 30, 2001 and December 15, 2003.

(2) The value of each unexercised in-the-money stock option (or tandem limited stock appreciation right) is equal to the difference between \$20.06 (the closing price of the common stock on December 31, 2004) and the exercise price of the stock option.

(3) Mr. Hegarty is scheduled to retire on June 30, 2005 at which time all of his unvested options will become exercisable.

(4) Ms. Passick retired in July 2004 at which time all of her unvested options became exercisable.

Employment, Severance and Change of Control Arrangements

Employment Agreements. The Bank and the Company are parties to employment agreements with Mr. Hegarty, Mr. Buran, Mr. Korzekwinski, Mr. Braun and Mr. Callicutt (collectively, the Employment Agreements). The Employment Agreements establish the respective duties and compensation of these individuals and are intended to ensure that the Bank and the Company will be able to maintain a stable and competent management team. The continued success of the Bank and the Company depends to a significant degree on the skills and competence of these executive officers.

The Employment Agreements are substantially similar. Each Employment Agreement, other than the Employment Agreement with Mr. Hegarty, has an initial two-year term. Prior to the completion of each year during the term of each of these agreements, the agreement is subject to renewal for an additional year. Thus, the unexpired term of the agreement at any time will generally vary between one and two years, in the case of the executives other than Mr. Hegarty. The term of Mr. Hegarty's Employment Agreement reduced to one year in 2004 (at age 65) and thereafter continues on a one-year basis. However, Mr. Hegarty has entered into the retirement agreement discussed below.

The Employment Agreements provide for a base salary that will be reviewed annually, customarily in July, with an effective date retroactive to July 1. In this regard, the base salaries of Mr. Hegarty, Mr. Buran, Mr. Korzekwinski, Mr. Braun and Mr. Callicutt in effect as of July 1, 2004 were \$495,000, \$300,000, \$174,500, \$160,500 and \$152,000, respectively. In the case of Mr. Hegarty, an additional amount equal to 10% of base salary is deferred each year and is credited with earnings based on mutual fund investments. The deferred amounts plus earnings thereon will be paid to Mr. Hegarty in a cash lump sum upon termination of employment. In addition to any other pension benefit to which he may be

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entitled, the Bank is required to maintain two bookkeeping accounts for Mr. Hegarty, to provide supplemental retirement benefits. The first account, consisting of \$150,000 plus earnings on such amount based on mutual fund investments beginning May 27, 2000, will be paid to Mr. Hegarty in a cash lump sum upon his termination of employment. The Bank is required to credit to the second bookkeeping account the amount of \$50,000 in May of each year of Mr. Hegarty's employment in the period 2001-2011, with such account to be credited with earnings beginning in 2011. In the event of Mr. Hegarty's death, voluntary resignation without good reason (as defined below), or termination for cause, he is entitled to receive the amount then credited to such account in a cash lump sum. In the event of his

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termination of employment for any other reason, including retirement (or for any reason following a change of control), he is entitled to receive \$500,000 in a cash lump sum instead of the amount credited to the second account. In accordance with his employment agreement, Mr. Hegarty's deferred compensation, supplemental retirement benefits, and benefits under the Bank's Supplemental Savings Incentive Plan have been funded in a grantor trust.

The Employment Agreements provide for termination of the executive's employment by the Bank or the Company with or without cause at any time. The executive would be entitled to a lump sum severance payment and certain health and welfare benefits upon the occurrence of certain events: the Company's or the Bank's termination of the executive's employment for reasons other than for cause, the executive's resignation during the 60-day period commencing six months following a change of control (as defined below), or the executive's resignation from the Bank and the Company following an event which constitutes good reason, which is defined as (1) failure to re-elect the executive to his or her current offices, (2) a material adverse change in the executive's functions, duties or responsibilities, (3) relocation of the executive's place of employment outside the Borough of Queens (or other location agreed to by the executive), (4) failure to renew the Employment Agreement by the Bank or Company, (5) a material breach of the Employment Agreement by the Bank or the Company, or (6) failure of a successor company to assume the Employment Agreement. The lump sum severance payment under Mr. Hegarty's Employment Agreement would be equal to his salary payments, bonuses (based on the highest bonus received in the last three years preceding termination) and deferred compensation otherwise payable if Mr. Hegarty's employment had continued for an additional 36 months if termination occurs before May 27, 2004 or after a change of control, or 12 months otherwise. The lump sum severance payment under the other Employment Agreements would be equal to the salary payments and bonuses (based on the highest bonus received in the last three years preceding termination) otherwise payable if the executive's employment had continued for an additional 24 months. In addition, upon a termination of employment following a change of control, the executive will receive a pro rata portion of his or her bonus payable for the year of termination (based on the amount of bonus received in the prior year). Each executive's Employment Agreement with the Company provides that if the executive receives payments that would be subject to the excise tax on excess parachute payments imposed by Section 4999 of the Internal Revenue Code, the executive will be entitled to receive an additional payment, or gross-up, in an amount necessary to put the executive in the same after-tax position as if such excise tax had not been imposed.

In the event an executive terminates employment due to disability, which is defined generally to mean the inability of the executive to perform his or her duties for 270 consecutive days due to incapacity, each Employment Agreement provides that the executive would receive 100% of his or her salary and bonus for the first six months, 75% for the next six months and 60% for the balance of the term (less any benefits payable to the executive under any disability insurance coverage maintained by the Company or the Bank). The Employment Agreement for Mr. Hegarty provides that in the event of termination of employment due to disability, he would receive the reduced salary described above, the deferred compensation benefit based on such reduced salary, and the supplemental retirement benefits described above.

The Employment Agreements provide that in the event the executive's employment terminates due to death, the executive's beneficiaries (or estate) would receive a lump sum payment of the executive's earned but unpaid salary, plus, in the case of Mr. Hegarty, payment of his accrued deferred compensation benefit and the supplemental retirement benefits described above.

In the event an executive terminates employment for reasons not described above or the executive's employment is terminated for cause, the executive is entitled to receive only his or her earned but unpaid salary and any benefits payable under the terms of the Company's and the Bank's benefit plans. Mr. Hegarty would also receive his accrued deferred compensation benefit, and the supplemental retirement benefits described above.

Retirement Agreements. The Company and the Bank are parties to retirement agreements with each of Ms. Passick and Mr. Hegarty. On June 16, 2004, the Company and the Bank entered into a retirement agreement

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with Ms. Passick providing that upon her retirement as Senior Vice President, Treasurer and Chief Financial Officer on July 1, 2004, she would be paid an aggregate amount of \$210,500 on July 9, 2004. On December 23, 2004, the Company and the Bank entered into a retirement agreement with Mr. Hegarty providing for his retirement as President and Chief Executive Officer on June 30, 2005. The retirement agreement with Mr. Hegarty also provides that, in accordance with his employment agreement, upon his retirement, he will receive a one-time payment of \$769,500, payment of his deferred compensation account and supplemental retirement benefits established under his employment agreement and certain health and welfare benefits. Mr. Hegarty's retirement agreement further provides that, in the event of his death before his retirement, his beneficiaries will receive a lump sum death benefit of \$1,069,500 (reduced to \$1,019,500 if death occurs after May 27, 2005) and certain health and welfare benefits.

Change of Control Arrangements. Upon a change of control (as defined below), in addition to the provisions of the Employment Agreements described above, (1) all outstanding restricted stock/units held by then-current employees and Outside Directors will immediately vest; (2) all outstanding stock options (and tandem limited stock appreciation rights (SARs)) held by then-current employees and Outside Directors will become immediately exercisable; (3) the exercise of an outstanding SAR within 90 days after the change of control will entitle the holder to receive a cash payment equal to the excess of (A) the highest price per share of common stock paid during the 90-day period prior to the exercise of the SAR or in the change of control over (B) the exercise price of the related stock option; and (4) the Employee Benefit Trust which was established by the Company to satisfy its obligations under certain employee benefit plans will terminate and any trust assets remaining after repayment of the Company's loan to the trust and certain benefit plan contributions will be distributed to all full-time employees of the Company or one of its subsidiaries with at least one year of service, in proportion to their compensation over the current year and the preceding four years.

Assuming a change of control had occurred on December 31, 2004, Mr. Hegarty, Mr. Buran, Mr. Korzekwinski, Mr. Braun and Mr. Callicutt, would have received cash lump sum severance payments equal to approximately \$2,308,500, \$900,000, \$461,000, \$433,000 and \$414,000 based on their salaries and bonuses as of that date. The preceding amounts do not take into account the gross-up, amounts related to termination of the Employee Benefit Trust, Mr. Hegarty's supplemental retirement benefits, the value of post-termination health and welfare benefits to be provided under the Employment Agreements, or any value attributable to accelerated vesting of stock options or restricted stock or restricted stock units.

Definition of Change of Control. A change of control is generally defined, for purposes of the Employment Agreements and benefit plans maintained by the Company or the Bank, to mean: (1) the acquisition of all or substantially all of the assets of the Bank or the Company; (2) the occurrence of any event if, immediately following such event, a majority of the members of the board of directors of the Bank or the Company or of any successor corporation shall consist of persons other than Current Members (defined as any member of the Board of Directors as of the completion of the Company's initial public offering and any successor of a Current Member whose nomination or election has been approved by a majority of the Current Members then on the Board of Directors); (3) the acquisition of beneficial ownership of 25% or more of the total combined voting power of all classes of stock of the Bank or the Company by any person or group; or (4) approval by the stockholders of the Bank or the Company of an agreement providing for the merger or consolidation of the Bank or the Company with another corporation where the stockholders of the Bank or the Company, immediately prior to the merger or consolidation, would not beneficially own, directly or indirectly, immediately after the merger or consolidation, shares entitling such stockholders to 50% or more of the total combined voting power of all classes of stock of the surviving corporation.

Retirement Plan

The Bank maintains a Retirement Plan which is a tax-qualified defined benefit plan. Salaried employees who are over age 21 and have been employed by the Bank or a participating affiliate for at least one year are eligible to participate in the Retirement Plan. Participants earn an annual retirement benefit at normal retirement

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age (the later of age 65 or the fifth anniversary of participation) equal to the sum of (1) 2% of average annual earnings (the average annual base salary for the three consecutive years out of the final ten years of service which produces the highest average) times years of credited service prior to March 1, 1993, up to 30 years, plus (2) 1.6% of average annual earnings times years of credited service after February 28, 1993, plus (3) .45% of average annual earnings in excess of average social security compensation (as determined pursuant to IRS regulations) times years of credited service after February 28, 1993. The total years of credited service taken into account cannot exceed 35 years, and benefits earned in any year cannot be reduced by subsequent changes to the plan. Annual benefits under the Retirement Plan are limited by federal tax laws. As a general rule, during 2004 annual benefits were limited to \$165,000. Compensation in excess of \$205,000 (subject to cost of living adjustments) is required to be disregarded. The Retirement Plan is funded by the Bank on