

# FLANDERS

FOREMOST IN AIR FILTRATION

November 11, 2011

Dear Shareholders:

You are cordially invited to attend the annual meeting of the shareholders of Flanders Corporation (the "Company") to be held at 531 Flanders Filter Road, Washington, North Carolina 27889 on Tuesday, December 13, 2011, at 8:30 a.m. local time. The purposes of the annual meeting are:

1. To elect seven (7) directors of the Company;
2. Ratification of Grant Thornton, LLP as the independent auditors for Flanders Corporation, for the fiscal year ended December 31, 2011; and
3. To transact any other business that may properly be presented at the annual meeting.

If you were a shareholder of record at the close of business on November 8, 2011, you may vote at the annual meeting. The foregoing items of business are more fully described in the proxy statement attached to this notice.

Whether or not you expect to attend the annual meeting, and regardless of the number of shares you own, we urge you to read the attached proxy statement and to promptly date, sign and mail the enclosed proxy card in the envelope provided.

Sincerely,

/s/ Harry L. Smith, Jr.  
Harry L. Smith, Jr.  
Chairman of the Board of Directors  
and Chief Executive Officer

**FLANDERS CORPORATION**  
**531 Flanders Filter Road, Washington, North Carolina 27889**

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**NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS**

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The 2011 annual meeting of the shareholders of Flanders Corporation will be held at 531 Flanders Filter Road, Washington, North Carolina 27889 on Tuesday, December 13, 2011, at 8:30 a.m. local time. At the annual meeting, you will be asked to:

1. Elect seven (7) directors of the Company;
2. Ratification of Grant Thornton, LLP as the independent auditors for Flanders Corporation, for the fiscal year ended December 31, 2011; and
3. Transact any other business that may properly be presented at the annual meeting.

If you were a shareholder of record at the close of business on November 8, 2011, you may vote at the annual meeting and at any postponements or adjournments thereof.

You are cordially invited to attend the annual meeting. Your vote is important. If you plan to attend the annual meeting, please notify me so that I can prepare identification for you.

**Whether you plan to attend or not, please mark, sign, date, and promptly return the enclosed proxy card. A return envelope, which requires no postage, if mailed in the United States, has been provided for your use.**

Thank you for your participation,

/s/ John Oakley  
John Oakley  
Director, Chief Financial Officer, President  
Flanders Corporation

November 11, 2011

**Important Notice regarding the availability of Proxy Materials for Annual Meeting of Shareholders to be held on December 13, 2011. This Notice of Annual Meeting of Shareholders and Proxy Statement are available at [www.flanderscorp.com](http://www.flanderscorp.com).**

**FLANDERS CORPORATION**  
531 Flanders Filter Road  
Washington, North Carolina 27889

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**PROXY STATEMENT**

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**GENERAL INFORMATION**

Flanders Corporation, a North Carolina corporation (the "Company"), is soliciting this proxy on behalf of its Board of Directors for use at the 2010 Annual Meeting of shareholders to be held on Tuesday, December 13, 2011, at 8:30 a.m. local time, at 531 Flanders Filter Road, Washington, North Carolina 27889, and at any adjournments thereof. This proxy statement and the proxy card will be mailed to shareholders beginning on or about November 11, 2011.

**VOTING PROCEDURES**

Record holders of shares of the Company's common stock, par value \$.001 per share, at the close of business on November 8, 2011, may vote at the meeting. Each shareholder has one vote for each share of common stock the shareholder owns. At the close of business on September 30, 2011, there were approximately 27,782,838 shares of common stock outstanding and entitled to vote at the meeting.

Votes cast by proxy or in person at the annual meeting will be tabulated by the inspectors of election appointed for the meeting who will also determine whether or not a quorum is present. The Company's Bylaws provide that the holders of a majority of the issued and outstanding shares of the Company entitled to vote, represented in person or by proxy, constitute a quorum at any shareholders' meeting. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting powers, present in person or represented by proxy, shall decide any questions brought before such meeting, unless the question is one upon which, by express provision of the applicable statute, or articles of incorporation or bylaws, require a different vote, in which case such express provision shall govern and control the decision of such question. Abstentions and broker non-votes are counted as present for establishing a quorum, but as unvoted for determining the approval of any matter submitted to the shareholders for vote. A broker non-vote occurs when a broker votes on some matters on the proxy card but not on others because he does not have the authority to do so.

You may vote in the following ways:

**Vote Over the Internet**

*If your shares are held in the name of a broker, bank or other nominee:* Vote your Company shares over the Internet by accessing the website given on the proxy card you received from such broker, bank, or other nominee. You will need the control number that appears on your proxy card when you access the web page.

**Vote by Returning Your Proxy Card**

You may vote by signing and returning your proxy card. The proxy holders will vote your shares according to your directions. If you sign and return your proxy card without specifying choices, your shares will be voted as recommended by the Board of Directors. If you wish to give a proxy to someone other than those designated on the proxy card, you may do so by crossing out the names of the designated proxies and inserting the name of another person. The person representing you should then present your signed proxy card at the meeting.

### **Vote by Ballot at the Meeting**

You may also attend the meeting and vote by a ballot that you will receive at the meeting.

### **If You Change Your Mind After Voting**

You can revoke your proxy at any time before it is voted. Proxies are voted at the Annual Meeting. You can write to the Corporate Secretary, 531 Flanders Filter Road, Washington, North Carolina 27889, stating that you wish to revoke your proxy and that you need another proxy card. More simply, you can vote again over the Internet. Your last vote is the vote that will be counted. If you attend the meeting, you may vote by ballot, which will cancel your previous proxy vote.

## **INFORMATION ABOUT THE ANNUAL MEETING**

### **Who is entitled to vote?**

The record date for the meeting is November 8, 2011. Only stockholders of record at the close of business on that date are entitled to vote at the meeting.

### **Am I entitled to vote if my shares are held in “street name”?**

Yes, if a bank or brokerage firm holds your shares in street name for you, you are considered the “beneficial owner” of the shares. If your shares are held in street name, these proxy materials are being forwarded to you by your bank or brokerage firm (the “record holder”), along with a voting instruction card. As the beneficial owner, you have the right to direct the record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions.

### **What if I do not give my bank or brokerage firm voting instructions for my shares held in “street name”?**

If you do not give instructions to your bank or brokerage firm, it will nevertheless be entitled to vote your shares in its discretion on “routine matters.” For purposes of this annual meeting, the Company has determined that the ratification of our independent auditors (Proposal 2), is a routine matter. However, absent your instructions, the record holder will not be permitted to vote your shares on non-routine matters, which are referred to as “broker non-votes,” and any other non-routine matter properly brought before the meeting. Your broker will not have discretionary authority with respect to the election of directors. If you do not provide voting instructions to your broker with respect to non-discretionary items, such as election of directors, your shares will not be voted for any such proposal. In such case, your shares will be treated as “broker non-votes”. Broker non-votes (shares held by brokers that do not have discretionary authority to vote on the matter and have not received voting instructions from their clients) are not counted for the purpose of determining whether stockholders have approved that proposal.

### **May I attend the annual meeting if I hold my shares in “street name”?**

As the beneficial owner of shares, you are invited to attend the annual meeting. If you are not a record holder, however, you may not attend the meeting or vote your shares in person at the meeting unless you obtain a proxy, executed in your favor, from the record holder of your shares. See “Who can attend the meeting?” below.

### **How many shares must be present to hold the meeting?**

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of our outstanding shares as of the record date, will constitute a quorum. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for quorum purposes.

### **What if a quorum is not present at the meeting?**

If a quorum is not present or represented at the meeting, the holders of a majority of the shares entitled to vote at the meeting who are present in person or represented by proxy or the chairman of the meeting may adjourn the meeting until a quorum is present or represented. The time and place of the adjourned meeting will be announced at the time the adjournment is taken.

### **How do I vote if I am a registered stockholder?**

1. You may vote by mail. If you are a registered stockholder (that is, if you hold your stock directly and not in street name), you may vote by mail by completing, signing and dating the accompanying proxy card and returning it in the enclosed postage prepaid envelope. Your proxy will then be voted at the annual meeting in accordance with your instructions.

2. You may vote by Internet. If your shares are held in the name of a broker, bank or other nominee: Vote your Company shares over the Internet by accessing the website given on the proxy card you received from such broker, bank or other nominee. You will need the control number that appears on your proxy card when you access the web page.

3. You may vote in person at the meeting. If you are a registered stockholder and attend the meeting you may deliver your completed proxy card in person.

### **What materials should I be receiving in connection with the meeting?**

You will receive this proxy statement and the accompanying form of proxy. Our Annual Report for December 31, 2010, and our quarterly report for the nine (9) months as of September 30, 2011 filed with the OTCQX, are publicly available on our website [www.flanderscorp.com](http://www.flanderscorp.com) by clicking on the tabs "Corporate Information" - "Newsroom" or on the OTCQX website, respectively. Information contained on our website is not incorporated by reference, or considered to be part of, this proxy statement.

In order to reduce printing and postage costs, Broadridge Financial Solutions, Inc., or Broadridge, which handles the mailing of our proxy materials to those who hold our shares through a broker or bank or in "street name," has undertaken an effort to deliver only one proxy statement to multiply stockholders who hold their shares in street name and who share the same address. This delivery method, called "householding," is not being used, however, if Broadridge has received contrary instructions from one or more of our stockholders who share an address. We do not provide for householding directly for stockholders of record.

If your household has received only one proxy statement, we will promptly deliver a separate copy of the proxy statement at no charge to any stockholder who sends a written request to us at 531 Flanders Filter Road, Washington, North Carolina 27889, Attention: John Oakley. You may also notify Broadridge that you would like to receive separate copies of our proxy statements in the future by writing or calling your bank or broker. Even if your household has received only one proxy statement, a separate proxy card should have been provided for each stockholder account. Each proxy card should be signed, dated, and returned in the enclosed self-addressed envelope. If your household has received multiple copies of our proxy statement, you may request the delivery of a single copy in the future by completing the enclosed consent, if applicable, or writing or calling Broadridge directly.

### **How do I vote if I hold my shares in "street name"?**

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a voting card and voting instructions with these proxy materials from that organization rather than from Flanders. Your bank or broker may permit you to vote your shares electronically by telephone or on the Internet. A large number of banks and brokerage firms participate in programs that offer telephone and Internet voting options. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may vote those shares electronically by telephone or on the Internet by following the instructions set forth on the voting form provided to you by your bank or brokerage firm.

These Internet and telephone voting procedures, are designed to authenticate stockholders' identities, allow stockholders to vote their shares and confirm that stockholders' votes have been recorded properly. Stockholders voting via either telephone or the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies that must be borne by the stockholder using such services. Also, please be aware that Flanders is not involved in the operation of these voting procedures and cannot take responsibility for any access, Internet or telephone service interruptions that may occur or any inaccuracies, erroneous or incomplete information that may appear.

### **Who can attend the meeting?**

Only stockholders eligible to vote or their authorized representatives will be admitted to the meeting.

If your shares are held in street name and you wish to attend the meeting and/or vote in person, you must bring your broker or bank voter instruction card and a proxy, executed in your favor, from the record holder of your shares. In addition, you must bring a valid government-issued photo identification, such as a driver's license or a passport.

Security measures will be in place at the meeting and briefcases, handbags and packages are subject to inspection. No cameras or recording devices of any kind, or signs, placards, banners or similar materials, may be brought into the meeting. Anyone who refuses to comply with these requirements will not be admitted or, if admitted, will be required to leave.

### **Can I change my vote after I submit my proxy?**

Yes, you may revoke your proxy and change your vote any time before your vote is cast at the meeting:

- by submitting another properly completed proxy card with a later date;
- by voting by telephone or on the Internet (your latest telephone or Internet vote is counted); or
- if you are a registered stockholder, by giving written notice of such revocation to the Secretary of Flanders prior to or at the meeting. If notice is to be given prior to the meeting, please send it to: Flanders Corporation, 531 Flanders Filters Road, Washington, North Carolina 27889, Attention: John Oakley. Your attendance at the meeting itself will not revoke your proxy unless you give written notice of revocation to the Secretary before your proxy is voted or you vote in person at the meeting.

### **How does the board of directors recommend that I vote on the proposals?**

The board recommends that you vote "FOR" each proposal in this proxy statement.

### **What if I do not specify how my shares are to be voted?**

If you submit a signed proxy but do not indicate any voting instructions, your shares will be voted:

- FOR the election of the seven (7) nominees to the board of directors.
- FOR the ratification of Grant Thornton, LLP as out independent accountants for the fiscal year ended December 31, 2011.

### **Will any other business be conducted at the meeting?**

We are not aware of any other business that will be presented at the meeting. If any other matter properly comes before the stockholders for a vote at the meeting, however, your proxy (one of the individuals named on your proxy card) will vote your shares in accordance with his best judgment if you so authorize.

### **How many votes are required to elect the director nominees (Proposal 1)?**

The affirmative vote of a plurality of the shares present in person or represented by proxy at the meeting and entitled to vote is required to elect the seven (7) nominees as directors. This means that the seven (7) nominees will be elected if they receive more affirmative votes than any other person. If you vote "Withheld" with respect to one or more nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for purposes of determining whether there is a quorum.

### **What happens if a nominee is unable to stand for election?**

If a nominee is unable to stand for election, the board of directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holder will vote your shares for the substitute nominee, unless you have withheld authority.

### **How many votes are required to ratify our independent auditors (Proposal 2)?**

Each share of common stock is entitled to one (1) vote for this proposal. In order to be adopted, this proposal must be ratified by the holders of a majority of the shares entitled to vote thereon, after a quorum is established, present in person or represented by proxy at the annual meeting.

## **PROPOSAL ONE -- ELECTION OF DIRECTORS**

### **General**

The Board of Directors currently consists of seven (7) directors and our Board pursuant to recommendations of our Nominating Committee has nominated the seven (7) current directors for election at the 2011 Annual Meeting. If you elect them, they will hold office until the next annual meeting and their successors are elected and qualified, or until they retire, die, or are removed. Cumulative voting is not permitted in the election of directors. Unless you specify otherwise, your returned signed proxy will be voted in favor of each of the nominees. If any of the nominees is unable to serve as a director, your proxy may be voted for another person nominated by the Board to fill that vacancy, or the Board may reduce the number of directors to be elected. The following information concerning each nominee is as of September 30, 2011.

### **Information Regarding Nominees for Directors**

The nominees for directors of the Company are as follows:

**Harry L. Smith, Jr.** Mr. Smith, age 41, has a long history in the air filtration industry. He has worked at Flanders since 1997, holding roles of increasing responsibility including working with the Flanders direct offices; ARW – Wholesale Division; FSS-Filter Sales and Service; FFI-Flanders Filters, Inc.; CSC-Charcoal Services, Inc., and AirSeal Filter Housings. Mr. Smith received his Bachelor of Science degree in Business Administration from East Carolina University in 1992. Mr. Smith was appointed our Chief Operating Officer in August 2007 and our Chief Executive Officer in November 2008. Mr. Smith was appointed Chairman of the Board in 2009 upon the retirement of Mr. Amerson.

**John Oakley.** Mr. Oakley, age 44, joined Flanders in December 2008 with 18 years of diverse experience in finance, accounting, and operations. Prior to joining Flanders, he served as Chief Financial Officer of Nexxus Lighting, Inc. Mr. Oakley also held several posts of increasing responsibility with Home Meridian International and its subsidiary Pulaski Furniture Corporation, including Director and CFO of Home Meridian, having joined the company in 2001. Earlier in his career, he served as Corporate Controller for Collins and Aikman Floorcoverings, Inc., now Tandus Group, and Senior Auditor for Arthur Andersen. Mr. Oakley holds a Bachelor of Science in Accounting degree from the University of North Carolina at Charlotte. Mr. Oakley was appointed our Chief Financial Officer in December 2008 and our President and a director in March 2010.

**David M. Mock.** Mr. Mock, age 59, Mr. Mock has served as an independent Director of the Company since August 2003 and serves on the Board Compensation and Audit Committees. Mr. Mock is a General Partner with GMG Capital Partners, a New York-based investment firm, which he co-founded in 1997. Prior to joining GMS/GMG Partners, Mr. Mock was a private investor pursuing an investment strategy similar to that of GMG. Mr. Mock has extensive operations and private investment experience with respect to technology companies. He is currently Chairman of the Board of Captus Networks as well as serving as Director or Officer to several other companies including Alloptic, Inc., Forum Systems, and Connecting Point, Inc. Mr. Mock holds an Accounting degree from the University of Utah.

**Charlie Lee Tingen Jr.** Mr. Tingen Jr., age 41, has served as an independent Director of the Company since March 2010 and serves on both the Executive and Board Compensation Committees. Mr. Tingen is a Senior Financial Advisor with Bengala and Tingen, a financial advisory practice of Ameriprise Financial Services, Inc. since 1995. Prior to providing 15 years of analysis and financial planning to individuals and businesses, Tingen was a loan officer with BB&T Corporation. Tingen received a Bachelor of Science degree from East Carolina University in 1992.

**Wesley M. Measamer CPA.** Mr. Measamer, age 40, has served as an independent Director of the Company since March 2010 and serves on both the Audit and Board Compensation Committees. Mr. Measamer is president of Wesley M. Measamer, CPA, P.A. and has provided full service accounting services for 15 years to businesses within several industries including manufacturing and retail. Mr. Measamer is licensed with the NC State Board of Certified Public Accountants and holds a Bachelor of Science in Accounting and Master of Business Administration from East Carolina University.

**Phil Hodges.** Mr. Hodges, age 55, has served as an independent Director of the Company since March 2010 and serves on Audit Committee. Mr. Hodges is the founder of Metrics, Inc., a contract pharmaceutical development company based in Greenville NC and currently serves as its President and CEO. Prior to Metrics, Mr. Hodges spent 12 years with Burroughs Wellcome Corporation in its analytical development laboratories. Mr. Hodges holds a Bachelor of Science in Chemistry and a Master of Science in Analytical Chemistry from East Carolina University.

**Joachim Gfoeller.** Mr. Gfoeller, age 54, was appointed to our board in January 2011. Mr. Gfoeller is currently the managing partner of GMG Capital Partners, a private capital investment partnership. Prior to his current role, Mr. Gfoeller was a partner of Stolberg Partners, an investment partnership specializing in investments with manufacturing, distribution and retail companies and a partner of the private equity group of Weiss, Peck & Greer. Mr. Gfoeller holds a B.A. in International Studies from the Ohio State University, an M.A. from the Johns Hopkins School of Advanced of International Studies and an M.B.A. from the University of Pennsylvania Wharton School of Business.

#### **Vote Required**

A plurality of the shares represented at the meeting after a quorum is established is required to elect a director.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR"  
EACH OF THE NOMINEES FOR DIRECTOR.**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth all individuals known by us to beneficially own 5% or more of our common stock, and all executive officers and directors with the amount and percentage of stock beneficially owned, as of September 30, 2011. Except as indicated in the following footnotes, each listed beneficial owner has sole voting and investment power over the shares of common stock held in their names.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Outstanding Shares of Common Stock <sup>(1)</sup>
Robert R. Amerson <sup>(2)</sup> 531 Flanders Filters Road Washington, NC 27889	5,598,776	20.15%
Harry L. Smith, Jr. <sup>(3)</sup> 531 Flanders Filters Road Washington, NC 27889	3,026,928	10.70%
John Oakley <sup>(4)</sup> 531 Flanders Filters Road Washington, NC 27889	152,083	*
David Mock <sup>(5)</sup> 9993 South 3100 East Sandy, UT 84092	90,700	*
Kirk Dominick <sup>(6)</sup> 531 Flanders Filters Road Washington, NC 27889	76,771	*
Charlie Lee Tingen, Jr. <sup>(7)</sup> 531 Flanders Filters Road Washington, NC 27889	50,000	*
Wesley M. Measamer <sup>(7)</sup> 531 Flanders Filters Road Washington, NC 27889	50,000	*
Phil Hodges <sup>(7)</sup> 531 Flanders Filters Road Washington, NC 27889	50,000	*
Joachim Gfoeller <sup>(8)</sup> 531 Flanders Filter Road Washington, NC 27889	50,000	*
Heartland Advisors <sup>(9)</sup> 789 North Water Street Milwaukee, WI 53202	4,768,262	17.16%
Rutabaga Capital Management <sup>(9)</sup> 64 Broad Street, 3 <sup>rd</sup> Floor Boston, MA 02109	2,064,999	7.43%
Prescott Group Capital Management, LLC <sup>(9)</sup> 1924 S. Utica Avenue, Suite 1120 Tulsa, OK 74104	2,113,965	7.61%
Officers and Directors as a group (8 persons)	3,520,782	12.48%

\* Represents less than 1% of the total issued and outstanding shares of common stock.

(1) Applicable percentage of ownership is based on approximately 27,782,838 shares of common stock outstanding as of September 30, 2011, together with all applicable options for unissued securities for such shareholders exercisable within 60 days. Shares of common stock subject to options exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other person.

(2) Represents shares held directly and beneficially with his wife.

- (3) Includes 500,000 shares which are subject to an option to purchase such shares from the Company at \$4.99 per share. These options expire in 2017.
- (4) Includes 50,000 shares which are subject to an option to purchase such shares from the Company at \$4.69 per share. These options expire in 2013. Includes 39,583 shares, which are subject to an option to purchase such shares from the Company at \$3.53 per share. These options expire in 2021.
- (5) Includes 50,000 shares which are subject to an option to purchase such shares from the Company at \$4.37 per share. These options expire in 2013. Also includes 5,000 shares which are subject to an option to purchase such shares from the Company at \$9.52 per share. These options expire in 2017. Also includes 5,000 shares which are subject to an option to purchase such shares from the Company at \$5.71 per share. These options expire in 2018. Also includes 5,000 shares which are subject to an option to purchase such shares from the Company at \$4.60 per share. These options expire in 2019.
- (6) Includes 50,000 shares which are subject to an option to purchase such shares from the Company at \$5.55 per share. These options expire in 2017. Also includes 5,000 shares which are subject to an option to purchase such shares from the Company at \$4.60 per share. These options expire in 2019. Includes 21,771 shares which are subject to an option to purchase such shares from the Company at \$3.53 per share. These options expire in 2021.
- (7) Includes 50,000 shares which are subject to an option to purchase such shares from the Company at \$3.85 per share. These options expire in 2020.
- (8) Includes 50,000 shares which are subject to an option to purchase such shares from the Company at \$3.03 per share. These options expire in 2020.
- (9) Based upon most recent Schedule 13D's and 13Gs.

\*Less than 1%.

## **Our Corporate Governance Practices**

At Flanders Corporation we have always believed in strong and effective corporate governance procedures and practices. In that spirit, we have summarized several of our corporate governance practices below.

**Adopting Governance Guidelines** The Board of Directors has adopted a set of corporate governance guidelines to establish a framework within which it will conduct its business and to guide management in its running of your Company. The governance guidelines can be found on our website at [www.flanderscorp.com](http://www.flanderscorp.com) and are summarized below.

**Monitoring Board Effectiveness** It is important that our Board of Directors and its Committees are performing effectively and in the best interest of the Company and its stockholders. The Board of Directors and each Committee are responsible for annually assessing their effectiveness in fulfilling their obligations. In addition, our Nominating and Governance Committee is charged with annually reviewing the Board of Directors and its membership.

**Conducting Formal Independent Director Sessions** At the conclusion of each regularly scheduled Board meeting, the independent Directors meet without Flanders Corporation management or any non-independent Directors.

**Hiring Outside Advisors** The Board and each of its Committees may retain outside advisors and consultants of their choosing at the Company's expense, without management's consent.

**Avoiding Conflicts of Interest** Flanders Corporation expects its Directors, executives and employees to conduct themselves with the highest degree of integrity, ethics and honesty. Flanders Corporation's credibility and reputation depend upon the good judgment, ethical standards and personal integrity of each Director, executive and employee. In order to provide assurances to Flanders Corporation and its stockholders, Flanders Corporation has implemented standards of business conduct which provide clear conflict of interest guidelines to its employees, as well as an explanation of reporting and investigatory procedures.

**Providing Transparency** Flanders Corporation believes it is important that stockholders understand our governance practices. In order to help ensure transparency of our practices, we have posted information regarding our corporate governance procedures on our website at [www.flanderscorp.com](http://www.flanderscorp.com).

**Communications with the Board of Directors** Although Flanders Corporation does not have a formal policy regarding communications with the Board of Directors, stockholders may communicate with the Board of Directors by writing to the Company at Flanders Corporation, Attention: Investor Relations, 531 Flanders Filters Road, Washington, NC 27889. Stockholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate.

**Standards of Business Conduct** The Board of Directors has adopted a Code of Business Conduct and Ethics for all of the Company's employees and Directors, including the Company's principal executive and senior financial officers. You can obtain a copy of our Code of Business Conduct and Ethics via our website at [www.flanderscorp.com](http://www.flanderscorp.com), or by making a written request to the Company at Flanders Corporation, Attention: Investor Relations, 531 Flanders Filters Road, Washington, NC 27889. We will disclose any amendments to the Code of Business Conduct and Ethics, or waiver of a provision there from, on our website at the same address.

**Ensuring Auditor Independence** Flanders Corporation has taken a number of steps to ensure the continued independence of our outside auditors. Our independent auditors report directly to the Audit Committee, which also has the ability to pre-approve or reject any non-audit services proposed to be conducted by our outside auditors.

**Voluntary OCTQX Governance Standards/ Transition to AMEX Listing Standards** We have decided to adopt voluntarily certain corporate governance procedures for 2011 and 2012, including the retention of a majority of independent board members, providing audited annual financial statements and requiring board ratification of related party transactions. We also intend to continue to hold annual shareholders meetings and to make current public information available through our website ([www.flanderscorp.com](http://www.flanderscorp.com)).

## **Committees**

Our Audit Committee reviews the results and scope of the audit and other services provided by the Company's independent auditors, reviews and evaluates the Company's internal audit and control functions, monitors transactions between the Company and its employees, officers and directors, and completes other functions. The Audit Committee is required to review, approve or ratify all related party transactions. Currently, the Audit Committee currently consists of Messrs. Mock, Measamer and Hodges, with Mr. Mock serving as Chair. David Mock is considered the audit committee financial expert.

Our Compensation Committee currently consists of Messrs. Mock, Tingen and Measamer. The Compensation Committee monitors the remuneration, including stock options, for the Company's management, including the named executive officers. The Compensation Committee, does not, as a matter of regular practice, employ compensation consultants to determine the amount of form or executive compensation.

The Nominating Committee oversees the qualification and nomination process for potential director candidates, reviews the continued qualification of existing directors and is responsible for corporate governance oversight. Our Nominating Committee currently consists of three independent directors, Messrs. Mock, Tingen and Measamer.

We believe all of our outside non-employee directors are considered "independent" as such term is currently defined

under NYSE listing standards applicable to AMEX listed companies. Each of the committees operates under a written charter which was adopted by the Board of Directors and is available on our website at [www.flanderscorp.com](http://www.flanderscorp.com). Information contained on the website is not incorporated by reference in, or considered to be a part of, this Proxy Statement.

There is no family relationship between the directors, executive officers or persons nominated or appointed by the board to become directors or executive officers. Each director attended at least 75% of (a) the total number of meetings of the board of directors, and (b) the total number of meetings of all committees of the board of directors on which he served for Fiscal Year 2011.

### **Compensation of Directors**

Directors who are Company employees receive no additional or special remuneration for serving as directors. Upon initial appointment to the Board, a director receives an option to purchase 50,000 shares of the Company's common stock exercisable at the fair market value as of that date. All independent directors with a minimum of six (6) months on the Board are automatically granted an additional 2,500 shares of our Company common stock each year thereafter for so long as the director remains on the Board. We currently pay our independent directors a \$5,000 quarterly fee. We pay our independent directors \$500 for each board of directors meeting personally attended plus reimbursement of associated out-of-pocket costs. We pay our audit committee members an additional \$2,000 annual fee and our other committee members an additional \$750 annual fee.

### **Employment Agreements**

Mr. Smith has an employment agreement, which was originally effective as of March 17, 2010, as amended effective January 1, 2011 ("Employment Agreement"). Mr. Smith's current base annual salary is \$500,000 and the Employment Agreement terminates on January 31, 2016. Mr. Smith is entitled to bonus payments, which are currently determined by our Compensation Committee, comprised solely of independent directors. During our year ended December 31, 2010, we paid Mr. Smith a base salary of \$350,000 and a bonus of \$555,000. Mr. Smith is entitled to certain lump sum payments in the event of a "Change of Control" of the Company or termination for any reason other than death, disability or cause. Any lump sum payments to Mr. Smith are limited to the excess parachute payment provisions set forth in Section 280(g) of the Internal Revenue Code, which essentially provides that termination payments shall not exceed the present value of 2.999 times Mr. Smith's base period income. Mr. Smith has agreed to a two (2) year non-competition covenant following termination. We also provide Mr. Smith with use of an automobile and reimbursement of automobile expenses and other business related expenses.

Mr. Oakley has an employment agreement, originally effective as of January 28, 2009, amended effective January 1, 2011 ("Employment Agreement"). Mr. Oakley's current base annual compensation is \$250,000 per year. The term of Mr. Oakley's Employment Agreement is through January 31, 2016. Mr. Oakley is also entitled to receive bonuses of 50% of his annual base salary. Mr. Oakley is entitled to a lump sum payment in the event of a Change of Control equal to 2 times his then annual base salary and the bonus amount paid to him for the previous four (4) quarters prior to the effective date of the Change of Control. Termination payments to Mr. Oakley are also subject to Section 280(g) limits. Mr. Oakley is also entitled to similar lump sum payments in the events of death, disability or termination without cause, including, vesting and acceleration of all unvested options. During year-end December 31, 2010, we paid Mr. Oakley a base annual salary of \$200,000 and a cash bonus of \$150,000. The Company also provided for a stay bonus of \$225,000 which is earned over a three year period ending January 2012. We also provide Mr. Oakley with use of an automobile and reimbursement of automobile expenses and other business related expenses.

**PROPOSAL 2. RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON, LLP AS AUDITORS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

The Board of Directors intends to retain the accounting firm of Grant Thornton, LLP as our independent auditors for the fiscal year ending December 31, 2011.

A majority of the shares represented at the meeting after a quorum is established is required to ratify the appointment of Grant Thornton, LLP as our independent auditors for the fiscal year ended December 31, 2011.

**THE BOARD RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON, LLP AS THE COMPANY’S INDEPENDENT AUDITOR FOR THE FISCAL YEAR DECEMBER 31, 2011.**

## **METHOD OF PROXY SOLICITATION**

The Company is soliciting this proxy on behalf of its Board of Directors. The Company will pay the costs of soliciting the proxies. These costs will include the expenses of preparing and mailing the proxy materials for the annual meeting and reimbursement paid to brokerage firms and others for their expenses incurred in forwarding the proxy materials. Directors, officers and regularly engaged employees of the Company may also solicit proxies without additional compensation therefor.

A list of shareholders entitled to vote will be available for examination at the meeting by any shareholder for any purpose germane to the meeting. The list will also be available on the same basis for ten (10) days prior to the meeting at our corporate headquarters by request to the Corporate Secretary at 531 Flanders Filter Road, Washington, North Carolina 27889.

## **ANNUAL REPORTS AND QUARTERLY REPORTS**

The Company's Annual Information and Disclosure Statement for the years ended December 31, 2010 and 2009 and the Company's Quarterly Reports for the interim periods through September 30, 2011, are publicly available on our website [www.flanderscorp.com](http://www.flanderscorp.com) under the tabs "Corporate Information" - "Newsroom" and at the OTCQX website, respectively.

MTC/ej/578625v1 – Flanders Schedule 14A/Proxy Statement (2011)