

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) June 26, 2008

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

Minnesota
(State or other jurisdiction
of incorporation)

0-5151
(Commission
File Number)

42-0442319
(IRS Employer
Identification No.)

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

52001
(Zip Code)

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

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

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

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

Item 1.01 Entry into a Material Definitive Agreement.

Flexsteel Industries, Inc. (the "Company") had unsecured credit facilities of \$41.0 million with JPMorgan Chase Bank, N.A., with borrowings at differing rates based on the date and type of financing utilized. The unsecured credit facilities provided \$20.0 million short-term (renewed annually), \$20.0 million long-term (expires September 30, 2012) and \$1.0 million in letters of credit that are used primarily for international inventory purchases. The credit facilities provided for interest selected at the option of the Company at prime or LIBOR plus an add on percentage, based on a rolling four quarter leverage ratio calculation. The short-term facility expires on June 30, 2008.

On June 26, 2008, following a review of credit requirements by the Company, the Company entered into agreements with JP Morgan Chase Bank, N.A. amending the short-term credit facility and letters of credit. The Company chose to reduce the short-term credit facility to \$12 million and extend the term to June 30, 2009. The letters of credit were reduced to \$100,000 and extended the term to September 30, 2012. There were no changes to the long-term credit facility. The other terms of the credit facilities remained substantially unchanged.

Copies of the agreements amending the credit facilities are attached to this Current Report on Form 8-K as Exhibits 10.1 and 10.2.

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

On June 27, 2008, the Company amended the employment agreement with Donald D. Dreher, Senior Vice President of the Company and President and Chief Executive Officer of DMI Furniture, Inc., extending the term of the agreement from December 31, 2009 to September 30, 2012. The other terms of the agreement remained substantially unchanged.

A copy of the amendment is attached to this Current Report on Form 8-K as Exhibit 10.3.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable
- (b) Not applicable
- (c) Not applicable
- (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
Exhibit 10.1	Note Modification Agreement dated June 26, 2008 (short-term facility) between Flexsteel Industries, Inc. and JPMorgan Chase Bank, N.A.
Exhibit 10.2	Credit Agreement dated June 26, 2008 between Flexsteel Industries, Inc. and JPMorgan Chase Bank, N.A.
Exhibit 10.3	Amendment to Employment Agreement dated June 27, 2008 between Flexsteel Industries, Inc. and Donald D. Dreher.

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

FLEXSTEEL INDUSTRIES, INC.
(Registrant)

Date: June 27, 2008

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



Note Modification Agreement

This agreement is dated as of June 26, 2008 (the "Agreement Date"), by and between Flexsteel Industries, Inc. (the "Borrower") and JPMorgan Chase Bank, N.A. (the "Bank"). The provisions of this agreement are effective on the date that this agreement has been executed by all of the signers and delivered to the Bank (the "Effective Date").

WHEREAS, the Borrower executed a Line of Credit Note as evidence of indebtedness in the original face amount of Twenty Million and 00/100 Dollars (\$20,000,000.00), dated June 10, 2005 owing by the Borrower to the Bank, as same may have been amended or modified from time to time (the "Note"), which Note has at all times been, and is now, continuously and without interruption outstanding in favor of the Bank; and,

WHEREAS, the Borrower has requested and the Bank has agreed that the Note be modified to the limited extent as hereinafter set forth;

NOW THEREFORE, in mutual consideration of the agreements contained herein and for other good and valuable consideration, the parties agree as follows:

1. **ACCURACY OF RECITALS.** The Borrower acknowledges the accuracy of the Recitals stated above.

2. **MODIFICATION OF NOTE.**

2.1 From and after the Effective Date, the provision in the Note captioned "**Due**", "**Promise to Pay**" and "**Principal Payments**" are hereby amended as follows: The date on which the entire balance of unpaid principal plus accrued interest shall be due and payable immediately is hereby changed from June 30, 2008 to June 30, 2009.

2.2 From and after the Effective Date, the amount of the Note, and the maximum principal amount that may at any time be outstanding thereunder, is hereby decreased to Twelve Million and 00/100 Dollars (\$12,000,000.00).

2.3 From and after the Effective Date, the pricing grid in the provision in the Note captioned "**Applicable Margin**" is hereby amended and restated to read as follows:

Funded Debt to EBITDA Ratio	Applicable Margin	
	Prime Rate Advance	Eurodollar Advance
Greater than or equal to 3.00 to 1.00	1.00%	1.25%
Less than 3.00 to 1.00 but greater than or equal to 2.50 to 1.00	1.00%	1.00%
Less than 2.50 to 1.00 but greater than or equal to 2.00 to 1.00	1.00%	0.875%
Less than 2.00 to 1.00 but greater than or equal to 1.50 to 1.00	1.00%	0.75%
Less than or equal to 1.50 to 1.00	1.00%	0.625%

2.4 Each of the Related Documents is modified to provide that it shall be a default or an event of default thereunder if the Borrower shall fail to comply with any of the covenants of the Borrower herein or if any representation or warranty by the Borrower herein or by any guarantor in any Related Documents is materially incomplete, incorrect, or misleading as of the date hereof. As used in this agreement, the "Related Documents" shall include the Note and all loan agreements, credit agreements, reimbursement agreements, security agreements, mortgages, deeds of trust, pledge agreements, assignments, guaranties, or any other instrument or document executed in connection with the Note or in connection with any other obligations of the Borrower to the Bank.

2.5 Each reference in the Related Documents to any of the Related Documents shall be a reference to such document as modified herein.

3. **RATIFICATION OF RELATED DOCUMENTS AND COLLATERAL.** The Related Documents are ratified and reaffirmed by the Borrower and shall remain in full force and effect as they may be modified herein. All real or personal property described as security in the Related Documents shall remain as security for the Note and the obligations of the Borrower in the Related Documents.

4. **BORROWER REPRESENTATIONS AND WARRANTIES.** The Borrower represents and warrants to the Bank that each of the following representations and warranties made in the Note and Related Documents are true and will remain true until maturity of the Note, termination of the other Related Documents and payment and performance in full of all liabilities, obligations and debt evidenced by the Note and other Related Documents:

4.1 No default or event of default under any of the Related Documents as modified hereby, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Related Documents as modified herein has occurred and is continuing.

4.2 There has been no material adverse change in the business, assets, affairs, prospects or financial condition of the Borrower or any Guarantor or any subsidiary of the Borrower.

4.3 Each and all representations and warranties of the Borrower in the Related Documents are accurate on the date hereof.

4.4 The Borrower has no claims, counterclaims, defenses, or setoffs with respect to the loan evidenced by the Note or with respect to the Related Documents as modified herein.

4.5 The Note and the Related Documents as modified herein are the legal, valid, and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms.

By: /s/ John C. Otteson

<u>John C. Otteson</u>	<u>Vice President</u>
Printed Name	Title

Date Signed: 6/26/08



Amendment to Credit Agreement

This agreement is dated as of June 26, 2008, by and between Flexsteel Industries, Inc. (the “Borrower”) and JPMorgan Chase Bank, N.A. (the “Bank”), and its successors and assigns. The provisions of this agreement are effective on the date that this agreement has been executed by all of the signers and delivered to the Bank (the “Effective Date”).

WHEREAS, the Borrower and the Bank entered into a credit agreement dated June 25, 2007, as amended (the “Credit Agreement”); and

WHEREAS, the Borrower has requested and the Bank has agreed to amend the Credit Agreement as set forth below;

NOW, THEREFORE, in mutual consideration of the agreements contained herein and for other good and valuable consideration, the parties agree as follows:

1. **DEFINED TERMS.** Capitalized terms not defined herein shall have the meaning ascribed in the Credit Agreement.
2. **MODIFICATION OF CREDIT AGREEMENT.** The Credit Agreement is hereby amended as follows:
 - 2.1 From and after the Effective Date, Section 1.3 of the Credit Agreement captioned “**Facility B (Line of Credit)**.” Is hereby amended and restated to read as follows:

Facility B (Line of Credit). The Bank has approved a credit facility to the Borrower in the principal sum not to exceed \$12,000,000.00 in the aggregate at any one time outstanding (“**Facility B**”). Credit under Facility B shall be repayable as set forth in a Line of Credit Note executed concurrently with this agreement, and any renewals, modifications, extensions, rearrangements, restatements thereof and replacements or substitutions therefor.

Non Usage Fee. The Borrower shall pay to the Bank a non-usage fee on the average daily unused portion of Facility B at a rate per annum set forth below opposite the applicable Funded Debt to EBITDA Ratio, payable in arrears for each calendar quarter within ten (10) days of billing by the Bank. Funded Debt to EBITDA Ratio is defined in Section 5.2 K of the Credit Agreement.

Funded Debt to EBITDA Ratio	Non-usage Fee
Greater than 3.00 to 1.00	20 bp
Less than or equal to 3.00 to 1.00 but greater than or equal to 2.50 to 1.00	20 bp
Less than or equal to 2.50 to 1.00 but greater than or equal to 2.00 to 1.00	10 bp
Less than or equal to 2.00 to 1.00 but greater than or equal to 1.50 to 1.00	10 bp
Less than or equal to 1.50 to 1.00	10 bp

- 2.2 From and after the Effective Date, Section 1.4 of the Credit Agreement captioned “**Facility C (Line of Credit)**” and “**Letters of Credit**” is hereby amended by deleting “**\$1,000,000.00**” contained therein and inserting “**\$100,000.00**” in lieu thereof.
 - 2.3 From and after the Effective Date, Section 1.4 of the Credit Agreement captioned “**Letters of Credit**” is hereby amended by deleting “**June 30, 2012**” contained therein and inserting “**September 30, 2012**” in lieu thereof.
 3. **RATIFICATION.** The Borrower ratifies and reaffirms the Credit Agreement and the Credit Agreement shall remain in full force and effect as modified herein.
 4. **BORROWER REPRESENTATIONS AND WARRANTIES.** The Borrower represents and warrants that (a) the representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date of this agreement, (b) no condition, act or event which could constitute an event of default under the Credit Agreement or any promissory note or credit facility executed in reference to the Credit Agreement exists, and (c) no condition, event, act or omission has occurred, which, with the giving of notice or passage of time, would constitute an event of default under the Credit Agreement or any promissory note or credit facility executed in reference to the Credit Agreement.
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5. **FEES AND EXPENSES.** The Borrower agrees to pay all fees and out-of-pocket disbursements incurred by the Bank in connection with this agreement, including legal fees incurred by the Bank in the preparation, consummation, administration and enforcement of this agreement.
 6. **EXECUTION AND DELIVERY.** This agreement shall become effective only after it is fully executed by the Borrower and the Bank.
 7. **ACKNOWLEDGEMENTS OF BORROWER.** The Borrower acknowledges that as of the date of this agreement it has no offsets with respect to all amounts owed by the Borrower to the Bank arising under or related to the Credit Agreement on or prior to the date of this agreement. The Borrower fully, finally and forever releases and discharges the Bank and its successors, assigns, directors, officers, employees, agents and representatives from any and all claims, causes of action, debts and liabilities, of whatever kind or nature, in law or in equity, of the Borrower, whether now known or unknown to the Borrower, which may have arisen in connection with the Credit Agreement or the actions or omissions of the Bank related to the Credit Agreement on or prior to the date hereof. The Borrower acknowledges and agrees that this agreement is limited to the terms outlined above, and shall not be construed as an agreement to change any other terms or provisions of the Credit Agreement. This agreement shall not establish a course of dealing or be construed as evidence of any willingness on the Bank’s part to grant other or future agreements, should any be requested.
 8. **NOT A NOVATION.** This agreement is a modification only and not a novation. Except for the above-quoted modification(s), the Credit Agreement, any loan agreements, credit agreements, reimbursement agreements, security agreements, mortgages, deeds of trust, pledge agreements, assignments, guaranties, instruments or documents executed in connection with the Credit Agreement, and all the terms and conditions thereof, shall be and remain in

full force and effect with the changes herein deemed to be incorporated therein. This agreement is to be considered attached to the Credit Agreement and made a part thereof. This agreement shall not release or affect the liability of any guarantor of any promissory note or credit facility executed in reference to the Credit Agreement or release any owner of collateral granted as security for the Credit Agreement. The validity, priority and enforceability of the Credit Agreement shall not be impaired hereby. To the extent that any provision of this agreement conflicts with any term or condition set forth in the Credit Agreement, or any document executed in conjunction therewith, the provisions of this agreement shall supersede and control. The Bank expressly reserves all rights against all parties to the Credit Agreement.

Borrower:

Flexsteel Industries, Inc.

By: /s/ Timothy E. Hall

Timothy E. Hall VP Finance, CFO, Secretary
Printed Name Title

Date Signed: 6/26/08

Bank:

JPMorgan Chase Bank, N.A.

By: /s/ John C. Otteson

John C. Otteson Vice President
Printed Name Title

Date Signed: 6/26/08

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement is made and entered into this 27th day of June, 2008, by and between FLEXSTEEL INDUSTRIES, INC., a Minnesota corporation (hereafter "Employer") and DONALD D. DREHER, (hereafter "Employee").

RECITALS

WHEREAS, Employer and Employee executed an Employment Agreement ("Agreement") dated October 1, 2006; and

WHEREAS, the Employer and Employee wish to amend the Agreement.

NOW THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, the parties agree as follows:

- 1. Section 1. EMPLOYMENT. Paragraph B of the Agreement is deleted and replaced with the following:
 - B. Employee will consult with the CEO of Flexsteel Industries, Inc. and use his best efforts to establish a timeline for the identification and hiring of a successor for Employee.
- 2. Section 2. TERM. Two (2) references to December 31, 2009 are amended to September 30, 2012.
- 3. Section 8. COMPENSATION UPON TERMINATION OF EMPLOYMENT.
 - a. Paragraph A. December 1, 2009 is amended to September 1, 2012.
 - b. Paragraph A. (i) December 31, 2009 is amended to September 30, 2012.
- 4. In all other respects, the Agreement is hereby ratified and confirmed.

EMPLOYEE

/s/ Donald D. Dreher

Donald D. Dreher

FLEXSTEEL INDUSTRIES, INC.

By: /s/ R.J. Klosterman

R. J. Klosterman, CEO and President