

DIXIE GROUP INC  
Form 4  
August 24, 2006

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
DAVIS W DEREK

(Last) (First) (Middle)  
2208 SOUTH HAMILTON STREET  
(Street)

DALTON, 2Q 30721

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
DIXIE GROUP INC [DXYN]

3. Date of Earliest Transaction  
(Month/Day/Year)  
08/22/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
VP - Human Resources

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)		
			Code	V	Amount	(A) or (D)	Price		
Common Stock, \$3 par value	08/22/2006		M		600	A	\$ 6.96	18,662 <sup>(1)</sup>	D
Common Stock, \$3 par value	08/22/2006		M		5,000	A	\$ 4.78	23,662 <sup>(1)</sup>	D
Common Stock, \$3 par value	08/22/2006		S		2,800	D	\$ 14	20,862 <sup>(1)</sup>	D
Common Stock, \$3	08/22/2006		S		1,800	D	\$ 14.0133	19,062 <sup>(1)</sup>	D

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par value							
Common Stock, \$3 par value	08/22/2006	S	1,000	D	\$ 14.0275	18,062 <sup>(1)</sup>	D
Common Stock, \$3 par value	08/23/2006	M	1,024	A	\$ 6.96	19,086 <sup>(1)</sup>	D
Common Stock, \$3 par value	08/23/2006	S	1,024	D	\$ 14	18,062 <sup>(1)</sup>	D
Common Stock, \$3 par value	08/23/2006	M	600	A	\$ 6.96	18,662 <sup>(1)</sup>	D
Common Stock, \$3 par value	08/23/2006	S	600	D	\$ 14	18,062 <sup>(1)</sup>	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Employee Stock Option	\$ 6.96	08/22/2006		M	600	01/01/2003 05/02/2012	Common Stock	600
Employee Stock Option	\$ 4.78	08/22/2006		M	2,500	08/13/2005 08/13/2012	Common Stock	2,500
Employee Stock	\$ 4.78	08/22/2006		M	2,500	08/13/2006 08/13/2012	Common Stock	2,500

Option										
Employee										
Stock	\$ 6.96	08/23/2006		M	1,624	01/01/2003	05/02/2012	Common		1,024
Option								Stock		

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DAVIS W DEREK 2208 SOUTH HAMILTON STREET DALTON, 2Q 30721			VP - Human Resources	

## Signatures

s/ JOHN F. HENRY, JR. by power of attorney for W. Derek Davis	08/24/2006
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\_\_Signature of Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) (1) Includes 3,281 shares allocated to the Reporting Person's account under the Issuer's 401(K) plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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