



**Item 1.01 Entry into a Material Definitive Agreement.**

On May 3, 2006, The Dixie Group, Inc. ("Dixie"), each of the subsidiaries of Dixie as guarantors, Bank of America, N.A., in its capacity as collateral and administrative agent for the Lenders, and the Lenders entered into that certain Third Amendment to the Amended and Restated Loan and Security Agreement (the "Third Amendment"). The Third Amendment amends that certain Amended and Restated Loan and Security Agreement, dated April 14, 2004 (the "Loan Agreement"). Among other things, the Third Amendment increases the aggregate amount of the facility from \$70 million to \$80 million by increasing the revolving credit portion of the facility from \$50 million to \$60 million and amends certain terms of the agreement to facilitate the increase.

Except as specifically set forth in the Third Agreement, the other provisions in the Loan Agreement remain unchanged and the Loan Agreement remains in full force and effect.

The foregoing description of the Third Amendment is a general description only and is qualified in its entirety by reference to the Third Amendment, copies of which are attached hereto as Exhibit 10.1

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

10.1 Third Amendment dated May 3, 2006, to Amended and Restated Loan and Security Agreement, by and among The Dixie Group, Inc., each of its subsidiaries as guarantors, Bank of America, N.A., in its capacity as collateral and administrative agent for the Lenders, and the Lenders (as such term is defined in the Loan Agreement).

## **SIGNATURES**

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

Date: May 4, 2006

THE DIXIE GROUP, INC.

By: /s/ Gary A. Harmon \_\_\_\_\_  
Gary A. Harmon  
Chief Financial Officer