

THE DIXIE GROUP, INC.

Compensation Committee Charter

Purpose

The Compensation Committee (“Committee”) is appointed by the Board of Directors (the “Board”) of The Dixie Group, Inc. (the “Company”) (i) to discharge the Board’s responsibilities relating to compensation of the directors and executive officers of the Company, and (ii) to approve and evaluate all compensation plans, policies and programs of the Company as they affect the directors and executive officers:

Committee Operations

The Committee shall consist of three or more members, each of whom shall be, in the judgment of the Board, “independent” under relevant rules and regulations, including, but not limited to the rules of the National Association of Securities Dealers (“NASDAQ”), a “non-employee director” for purposes of Rule 16b-3 of the Securities Exchange Act of 1934, and an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

In determining the independence of any Committee member, the Board shall consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a Committee member, including, but not limited to: (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Members of the Committee shall be appointed by the Board and shall serve at the pleasure of the Board and for such term or term as the Board may determine. The Board shall take into account such matters as it deems appropriate relating to the background, experience, aptitudes and interest of members of the Board, as well as the needs of the Committee in determining from time to time which directors should serve as members of the Committee. The Board shall have the power at any time to remove any member of the Committee and to fill vacancies on the Committee. The Board shall designate one member of the Committee as its chairperson (the “Chairperson”).

The Committee shall generally meet in person or telephonically at such times when deemed necessary or desirable by the Chairperson or the Committee. The Committee may delegate specific functions to subcommittees, officers or other committees in order to perform its duties and responsibilities.

The Committee shall fix its rules of procedure in such manner as it shall deem appropriate.

Resources and Authority

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain and terminate a compensation consultant to assist in the evaluation of executive officer compensation. The Committee shall have full authority to

approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other experts, consultants or advisers and to set the terms and fees for such engagements. Before selecting or obtaining advice from any adviser, the Committee shall consider all factors relevant to the adviser's independence from management, including any factors required to be considered under the listing standards of the NASDAQ.

Committee Duties and Responsibilities

Compensation Responsibilities. The Committee shall:

1. Annually review and approve corporate goals and objectives relevant to the Chief Executive Officer's ("CEO") compensation, set any applicable target or opportunity level, evaluate the CEO's performance in light of such goals and objectives as the Committee may establish, and set the CEO's compensation components (base salary, annual incentive and long-term incentive) based on its evaluation. In determining any long-term incentive component of the CEO's compensation, the Committee may consider, among other factors it deems relevant, the Company's performance, the CEO's individual performance, the CEO's stock ownership status, the value of similar incentive awards to chief executive officers at similar or comparable companies, the awards given to the Company's executive officers in past years and such other matters as the Committee may, from time to time, deem appropriate. The CEO shall not be present during voting or deliberations on his compensation.
2. Annually review and approve for the other executive officers, (i) annual base salary levels, (ii) annual incentive awards (cash, equity or other), (iii) long-term incentive awards, (iv) any employment agreement, severance arrangement, change in control agreement, in each case as, when and if appropriate to the individual, and (v) any special or other supplemental benefits.
3. In consultation with management, oversee regulatory compliance with respect to compensation matters, including the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, or desirable, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code (or any successor to such Code Section).
4. Review and recommend to the Board the form and amount of director compensation.
5. Periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
6. Discharge any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs, whether by resolution or by the terms of a plan approved by the Board.
7. Review and approve the Compensation Discussion and Analysis (the "CD&A") required to be included in the Company's proxy statement and annual report on Form

10-K by the rules and regulations of the Securities and Exchange Commission (the “SEC”) with management and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.

8. Review and approve the annual Committee Report for inclusion in the Company's proxy solicitation materials, as necessary to comply with the rules and regulations promulgated from time to time by the SEC.

9. Oversee the Company's compliance with any applicable requirement that shareholders approve equity compensation plans.

10. Delegate authority to committee members or subcommittees as it deems appropriate.