

DIXIE GROUP INC
Form DEF 14A
March 25, 2013

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

SCHEDULE 14A INFORMATION
(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities and Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ☐ R Filed by a Party other than the Registrant ☐ o
Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ R Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to Section 240.14a-12

The Dixie Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ R No fee required.

☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

☐ o Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registrant Statement No.:

3) Filing Party:

4) Date Filed:

THE DIXIE GROUP, INC.
104 Nowlin Lane, Suite 101
Chattanooga, Tennessee 37421
(423) 510-7000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of The Dixie Group, Inc.:

The Annual Meeting of Shareholders of The Dixie Group, Inc. will be held at the Chattanooga Hotel, Chattanooga, Tennessee, on April 30, 2013 at 8:00 a.m., Eastern Time, for the following purposes:

1. To elect eight individuals to the Board of Directors for a term of one year each;
2. To approve amendment of the Company's 2006 Stock Awards Plan to increase by 500,000 the number of shares subject to the Plan;
3. To cast an advisory vote on the Company's Executive Compensation for its named executive officers ("say-on-pay");
4. To cast an advisory vote on the frequency of future advisory say-on-pay votes;
5. To ratify appointment of Ernst & Young LLP to serve as independent registered public accountants of the Company for 2013; and
6. Such other business as may properly come before the Annual Meeting of Shareholders or any adjournment thereof.

Only shareholders of record of the Common Stock and Class B Common Stock at the close of business on March 1, 2013, are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

Your attention is directed to the Proxy Statement accompanying this Notice for more complete information regarding the matters to be acted upon at the Annual Meeting.

The Dixie Group, Inc.
Daniel K. Frierson
Chairman of the Board

Chattanooga, Tennessee
Dated: March 25, 2013

PLEASE READ THE ATTACHED MATERIAL CAREFULLY AND COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY TO THE COMPANY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES OF COMMON STOCK AND CLASS B COMMON STOCK WILL BE REPRESENTED AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON, SHOULD YOU SO DESIRE.

Important Notice

Regarding Internet

Availability of Proxy Materials

for the

Annual Meeting of Shareholders

to be held on

April 30, 2013

The proxy statement and annual report to shareholders are available under "Annual Report and Proxy Materials" at www.thedixiegroup.com/investor/investor.html.

THE DIXIE GROUP, INC.
104 Nowlin Lane, Suite 101
Chattanooga, Tennessee 37421
(423) 510-7000

ANNUAL MEETING OF SHAREHOLDERS
April 30, 2013

PROXY STATEMENT

INTRODUCTION

The enclosed Proxy is solicited on behalf of the Board of Directors of the Company for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and the enclosed Proxy will be mailed on or about March 25, 2013, to shareholders of record of the Company's Common Stock and Class B Common Stock as of the close of business on March 1, 2013.

At the Annual Meeting, holders of the Company's Common Stock, \$3.00 par value per share ("Common Stock"), and Class B Common Stock, \$3.00 par value per share ("Class B Common Stock"), will be asked to: (i) elect eight individuals to the Board of Directors for a term of one year each, (ii) approve the amendment of our 2006 Stock Awards Plan to increase by 500,000 the number of shares that may be issued under the Plan to 1,800,000 shares; (iii) cast an advisory vote on the Company's compensation for its named executive officers; (iv) cast an advisory vote on the frequency of the future advisory say-on-pay votes; (v) ratify the appointment of Ernst & Young LLP to serve as independent registered public accountants of the Company for 2013, and (vi) transact any other business that may properly come before the meeting.

The Board of Directors recommends that the Company's shareholders vote (i) FOR electing the eight (8) nominees for director; (ii) FOR approving the amendment of our 2006 Stock Awards Plan to increase by 500,000, the number of shares available for awards under the plan; (iii) FOR approving the Company's executive compensation of its named executive officers; (iv) FOR setting the frequency of the shareholder advisory vote on executive compensation at an annual vote; and (v) FOR ratifying the appointment of Ernst & Young LLP to serve as independent registered public accountants of the Company for 2013.

RECORD DATE, VOTE REQUIRED AND RELATED MATTERS

The Board has fixed the close of business on March 1, 2013, as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. In accordance with the Company's Charter, each outstanding share of Common Stock is entitled to one vote, and each outstanding share of Class B Common Stock is entitled to 20 votes, exercisable in person or by properly executed Proxy, on each matter brought before the Annual Meeting. Cumulative voting is not permitted. As of March 1, 2013, 12,187,617 shares of Common Stock, representing 12,187,617 votes, were held of record by approximately 1,800 shareholders (including an estimated 1,255 shareholders whose shares are held in nominee names, but excluding 715 participants in the Company's 401(k) Plan who may direct the voting of shares allocated to their accounts), and 939,128 shares of Class B Common Stock, representing 18,782,560 votes, were held by 13 individual shareholders, together representing an aggregate of

30,970,177 votes.

Shares represented at the Annual Meeting by properly executed Proxy will be voted in accordance with the instructions indicated therein unless such Proxy has previously been revoked. If no instructions are indicated, such shares will be voted (i) FOR electing the eight (8) nominees for director; (ii) FOR approving the amendment of our 2006 Stock Awards Plan; (iii) FOR approving the Company's compensation of its named executive officers; (iv) FOR setting the frequency of the advisory vote at an annual shareholder vote; and (v) FOR ratifying the appointment of Ernst & Young LLP to serve as independent registered public accountants of the Company for 2013.

Any Proxy given pursuant to this solicitation may be revoked at any time by the shareholder giving it by (i) delivering to the Secretary of the Company a written notice of revocation bearing a later date than the Proxy, (ii) submitting a later-dated, properly executed Proxy, or (iii) revoking the Proxy and voting in person at the Annual Meeting. Attendance at the Annual Meeting will not, in and of itself, constitute a revocation of a Proxy. Any written notice revoking a Proxy should be sent to The Dixie Group, Inc., P.O. Box 25107, Chattanooga, Tennessee 37422-5107, Attention: Starr T. Klein, Secretary.

The persons designated as proxies were selected by the Board of Directors and are Daniel K. Frierson, Lowry F. Kline and John W. Murrey, III. The cost of solicitation of Proxies will be borne by the Company.

The presence, in person or by Proxy, of the holders of a majority of the aggregate outstanding vote of Common Stock and Class B Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. In accordance with Tennessee law, Directors are elected by the affirmative vote of a plurality of the votes cast that are represented in person or by Proxy at the Annual Meeting.

Approval of the amendment of our 2006 Stock Awards Plan requires the affirmative vote of a majority of the votes present in person or by proxy at the Annual Meeting.

Ratification of the appointment of Ernst & Young LLP to serve as independent registered public accountants of the Company for 2013 will be approved if the votes properly cast favoring ratification exceed the votes cast opposing ratification.

Approval of the Company's executive compensation for its named executive officers will be deemed to have been obtained if the number of votes cast in favor of such compensation exceeds the number of votes cast against such compensation. Abstentions and broker non-votes will have no effect on the outcome.

With respect to the advisory vote of the frequency of say-on-pay advisory votes, the option that receives the highest number of votes will be deemed to have been selected by stockholders. Abstentions and broker non-votes will have no effect on the outcome.

Shares covered by abstentions and broker non-votes, while counted for purposes of determining the presence of a quorum at the Annual Meeting, are not considered to be affirmative votes. Abstentions and broker non-votes will have no effect upon the election of a nominee for director, so long as such nominee receives any affirmative votes. For purposes of ratification of the appointment of Ernst & Young LLP, as independent registered public accountants, abstentions and broker non-votes will not be considered negative votes. Abstentions will, however, have the effect of negative votes in determining whether a majority of the total votes cast has been obtained for approval of the amendment of our 2006 Stock Awards Plan

A copy of the Company's Annual Report for the year-ended December 29, 2012, is enclosed herewith.

The Board is not aware of any other matter to be brought before the Annual Meeting for a vote of shareholders. If, however, other matters are properly presented, Proxies representing shares of Common Stock and Class B Common Stock will be voted in accordance with the best judgment of the proxy holders.

PRINCIPAL SHAREHOLDERS

Shareholders of record at the close of business on March 1, 2013, the Record Date, will be entitled to notice of and to vote at the Annual Meeting.

The following is information regarding beneficial owners of more than 5% of the Company's Common Stock or Class B Common Stock. Beneficial ownership information is also presented for (i) the executive officers named in the Summary Compensation Table; (ii) all directors and nominees; and (iii) all directors and executive officers, as a group, as of March 1, 2013 (except as otherwise noted).

Name and Address of Beneficial Owner	Title of Class	Number of Shares Beneficially Owned(1)(2)		% of Class	
Daniel K. Frierson 111 East and West Road Lookout Mountain, TN 37350	Common Stock	1,170,044	(3)	8.84	%
	Class B Common Stock	827,998	(3) (4)	88.17	%
Paul K. Frierson 141 Brow Lake Road Lookout Mountain, GA 30750	Common Stock	175,497	(5)	1.43	%
	Class B Common Stock	111,130	(5)	11.83	%
Dimensional Fund Advisors, L.P. Palisades West, Building One, 6300 Bee Cave Road Austin, TX 78746	Common Stock	1,007,467	(6)	8.27	%
	Class B Common Stock	—		—	%
RGM Capital, LLC 6621 Willow Park Drive, Suite 1 Naples, FL 34102	Common Stock	1,141,563	(7)	9.37	%
	Class B Common Stock	—		—	%
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	Common Stock	1,148,842	(8)	9.43	%
	Class B Common Stock	—		—	%
Robert E. Shaw 115 West King Street Dalton, GA 30722-1005	Common Stock	1,325,000	(9)	10.87	%
	Class B Common Stock	—		—	%
T. Rowe Price Associates, Inc. T. Rowe Price Small-Cap Value Fund, Inc. 100 E. Pratt Street Baltimore, MD 21202	Common Stock	1,192,710	(10)	9.79	%
	Class B Common Stock	—		—	%

Wells Fargo & Company, on behalf of the following subsidiaries:

Wells Capital Management Incorporated
Wells Fargo Advisors, LLC
Wells Fargo Fund Management, LLC

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Wells Fargo Bank, National Association
420 Montgomery Street
San Francisco, CA 94104

Common Stock	919,742	(11)	7.55	%
Class B Common Stock	—		—	%

3

Additional Directors and Executive Officers	Title of Class	Number of Shares Beneficially Owned (1)	% of Class	
Charles E. Brock	Common Stock	2,400	(12)	
	Class B Common Stock	—	—	*
J. Don Brock, Ph. D.	Common Stock	59,570	(13)	
	Class B Common Stock	—	—	*
Paul B. Comiskey	Common Stock	78,428	(14)	