INSTEEL INDUSTRIES INC

FORM 4
(Statement of Changes in Beneficial Ownership)

Filed 1/24/2006 For Period Ending 1/23/2006

Address	1373 BOGGS DR
	MOUNT AIRY, North Carolina 27030
Telephone	910-786-2141
CIK	0000764401
Industry	Constr. - Supplies & Fixtures
Sector	Capital Goods
Fiscal Year	10/02

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FORM 4

[ ] Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

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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(f) of the Investment Company Act of 1940

1. Name and Address of Reporting Person *	2. Issuer Name **and** Ticker or Trading Symbol	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)
VAUGHN RICHARD C	**INSTEEL INDUSTRIES INC [IIIN]**	__ **X** __ Director _____ 10% Owner _____ Officer (give title below) _____ Other (specify below)
(Last) (First) (Middle) **1373 BOGGS DRIVE**	3. Date of Earliest Transaction (MM/DD/YYYY) **1/23/2006**	
(Street) **MOUNT AIRY, NC 27030** (City) (State) (Zip)	4. If Amendment, Date Original Filed (MM/DD/YYYY)	6. Individual or Joint/Group Filing (Check Applicable Line) _ **X** _ 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. Trans. Date	2A. Deemed Execution Date, if any	3. Trans. 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	**1/23/2006**		**M**		**2000**	**A**	**$7**	**2000**	**I**	**by Family Trust**
Common Stock								**4787**	**D**	
Common Stock								**1764**	**I**	**Restricted**

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

1. Title of Derivate Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Trans. Date	3A. Deemed Execution Date, if any	4. Trans. 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		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction (s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Non-Qualified Stock Option (right to buy)	**$7**	**1/23/2006**		**M**			**2000**	**2/13/1996**	**2/13/2006**	**Common Stock**	**2000**	(1)	**0**	**D**	

Explanation of Responses:

(1) Exercise of non qualified stock option

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
VAUGHN RICHARD C 1373 BOGGS DRIVE MOUNT AIRY, NC 27030	**X**			

Signatures

By: Gary D. Kniskern For: C. Richard Vaughn — **1/24/2006**

** Signature of Reporting — Date

Person

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

***** 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).

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

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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