SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 25, 1993.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _______ to _______.

Commission File Number: 0-2585

Dixie Yarns, Inc.
(Exact name of registrant as specified in its charter)

Tennessee	62-0183370
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1100 South Watkins Street Chattanooga, Tennessee	37404
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (615) 698-2501

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, $3.00 Par Value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

-Continued-

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 11, 1994: Common Stock - $103,901,205; Class B Common Stock - No market exists for the shares of Class B Common Stock, which is neither registered under Section 12 of the Act nor subject to section 15(d) of the Act.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding as of March 11, 1994
Common Stock, $3.00 Par Value	11,521,733 shares (1)
Class B Common Stock, $3.00 Par Value	735,228 shares
Class C Common Stock, $3.00 Par Value	0 shares

(1) The shares outstanding include the 1,029,446 shares issued subject to put option pursuant to the acquisition of the assets of Masland Carpets, Inc. on July 9, 1993

Documents Incorporated By Reference

Specified portions of the following document are incorporated by reference:

Proxy Statement of the registrant for annual meeting of shareholders to be held May 5, 1994 (Part III).

PART I

ITEM 1. BUSINESS

GENERAL

An integral part of the Company's strategy during the past two years has been to restructure its operations and expand into floorcovering. Today, the Company operates in two business segments - Textile products and Floorcovering - with approximately half of its sales in each segment. Prior to the acquisitions of Carriage and Masland in 1993, the Company's single line of business, textile products, included the Company's Candlewick carpet yarn operations. With the expansion into the floorcovering business, the Company's carpet yarn operations are now included in the floorcovering segment. Financial information relating to the Company's business segments have been restated for all periods presented and are set forth in Note (O) to the Company's consolidated financial statements.

TEXTILES

TEXTILE INDUSTRY - The domestic textile industry manufactures products for a variety of end uses, including home furnishings (domestics, drapery and upholstery), industrial products, transportation applications and apparel. The industry, which encompasses yarn preparation, fabric formation and product distribution, is structured with various degrees of vertical integration, depending upon the particular products involved. The textile industry is made up of a great number of companies, none of which are believed to have sales that comprise as much as 10% of the total market.

The domestic apparel market, which includes a substantial portion of the customers for the Company's products, is continually faced with competition from imports; however, management believes that implementation of the North American Free Trade Agreement may increase demand for domestic textile products by continuing to encourage utilization of such products by non-domestic cut and sew operations. Additionally, management believes consumer buying patterns continue to be influenced by mass merchandisers and retailers emphasizing price competition for value-added products. The domestic textile industry also services the home furnishing and other industries in a number of applications which are impacted by housing sales as well as by domestic automotive production levels.

THE COMPANY'S TEXTILE PRODUCTS - The Company manufactures and markets yarns, threads and knit fabrics from a variety of natural and man-made fibers. Textile products are primarily sold to manufacturers of apparel, domestics, drapery and upholstery, hosiery, industrial fabrics, transportation and other industries.

The Company produces a wide variety of products, with a significant focus on high-end value added products. Although the textile products business is organized into three business groups, substantial sales and customer overlap exists among the groups. Textile products are focused on narrow groups of products, related by manufacturing processes, performance qualities and end uses. No group of such products individually accounts for as much as 10% of Dixie's consolidated revenues for 1993, 1992 or 1991 and no customer's volume exceeded 10 percent of the Company's total sales for 1993.

The Company's Yarn Group ("Yarn Group") is comprised of the Natural and Dyed Yarn Group and the Synthetics Yarn Group. Products produced and marketed through these groups include ring spun, open end and air jet single and plied yarns which are sold to manufacturers of premium-price apparel, high-end home furnishings, and industrial products. A portion of the yarn produced by the yarn spinning facilities is further processed by the Company's mercerizing and package dyeing facilities. Cotton is the primary fiber for both natural, and mercerized and package dyed markets served. Other markets served include products manufactured from man-made (synthetics) fibers, many of which are high technology fibers that impart strength, heat resistance, stretch and/or characteristics relating to comfort and insulation properties. Natural, dyed and synthetic yarns are marketed through a combination of salaried sales force and, to a lesser extent, commissioned sales agents.

The Company's Industrial Sewing Thread Group ("Threads USA") is one of three major domestic manufacturers and marketers of industrial sewing thread, with a full line of products that includes cotton, spun polyester, corespun and filament threads. Thread products are sold directly by the Company's sales personnel through an extensive regional warehouse network as well as to independent wholesale jobbers.

The Company's Knit Fabric Group ("Caro Knit") knits, dyes and finishes 100 percent cotton circular knit fabrics for apparel and industrial markets. A majority of the yarn used for the production of the knit fabric is supplied by the Company's yarn facilities. Knit products are sold primarily by its own salaried sales force.

The Company's sales order backlog position in its textile products business was approximately $79,000,000 on December 25, 1993 compared to approximately $102,000,000 on December 26, 1992. All of these orders can reasonably be expected to be filled within the 1994 fiscal year.

Although the competition faced by the Company's textile business varies depending on the markets involved, a substantial portion of the Company's products in the Company's domestic textile products business is faced with competition from imports.

The Company owns a number of patents used in its textile business, and patent protection is sought as a matter of course when machinery or process improvements are made that are considered patentable. However, in the opinion of the Company, its textile operations are not materially dependent upon patents and patent applications.

FLOORCOVERING

THE CARPET INDUSTRY - The carpet industry is composed of approximately 100 manufacturers of which the top 5 account for over 50% of total sales in the industry. The industry has two primary markets, residential and commercial, with the residential market making up the largest portion of industry's sales. A substantial portion of industry shipments is made in response to replacement demand. The residential market consists of broadloom carpets, rugs and bathmats in a broad range of styles, colors, textures and yarns. The carpet industry also manufactures carpet for the automotive, recreational vehicle and recreational boat industries.

The carpet industry is highly competitive with competition principally from 100 domestic manufacturers of carpets and rugs. Carpet manufacturers also face competition from the hard surface floorcovering industry. The principal methods of competition within the carpet industry are quality, style, price and service.

THE COMPANY'S FLOORCOVERING BUSINESS - The Company's floorcovering business manufactures and markets carpet yarns and floorcovering products for specialty markets through Candlewick Yarns ("Candlewick"), Carriage Industries, Inc. ("Carriage") and Masland Carpet, Inc. ("Masland").

Candlewick is one of the world's largest independent carpet yarn manufacturers. Its customers include end-use product manufacturers in the bath rug, automotive and broadloom carpet markets. Candlewick is a producer of premier yarns for floorcovering applications. It competes through product quality and innovation. Its product development center and relationships with fiber suppliers have been developed to provide customers a means to evaluate yarn and fiber variations. Candlewick has a significant share of the bath rug yarn market due to the breadth of its product line, service capabilities, quality and history of innovation. Products of Candlewick are marketed through its own salaried sales force.

Carriage is a vertically integrated carpet manufacturer serving specialized markets. Its highly diversified markets include: original equipment manufacturers of manufactured housing, recreational vehicles, and small boats; the exposition/trade show market; contract/residential market; and the home center/needlebond market. Carriage's manufacturing operations include yarn extrusion, yarn processing,tufting, needlebonding, dyeing, finishing and finished product transportation through its own trucking fleet. Its product line is marketed by a staff of salaried sales personnel and to a lesser extent commission sales representatives.

Carriage competes only in selected portions of the floorcovering market. Competition is based not only on price, but also on quality of goods, customer service and reputation for reliability. The Company has developed a broad array of specialized products of varying styles, widths, colors and backing. Rapid, just-in-time delivery of customer orders is an important part of the Company's customer service program. The Company controls delivery of its products through its trucking fleet of 68 tractor-trailers and utilization of regional distribution centers for finished goods.

Masland markets broadloom products for specification by the architectural and design communities and residential carpet and designer rugs to a select group in interior design showrooms and high-end specialty retailers. Each of the markets served require quality, service, innovation in styling and product design. Competition within its business is based primarily on quality, service and styling, with price becoming an increasingly important factor, particularly in the Company's contract business.

The Company's sales order backlog position in its floorcovering business was approximately $37,000,000 on December 25, 1993 compared to approximately $24,000,000 on December 26, 1992. All of these orders can reasonably be expected to be filled within the 1994 fiscal year.

The Company's floorcovering business owns a variety of trademarks under which its products, particularly those sold by Masland, are marketed. While such trademarks are important to Masland's business, there is no one trademark, other than the name Masland itself, which is of material importance to the segment.
There was no single class of products exceeding 10 percent of the Company's sales volume for 1993, 1992 or 1991 and no customer's volume exceeded 10 percent of the Company's total sales for 1993.

SEASONALITY

Within the varied markets serviced by the Company, there are a number of seasonal production cycles, but the Company's business as a whole is not considered to be significantly affected by seasonal factors. Correspondingly, there appear to be no material impacts on working capital relating to seasonality or other business dynamics.

ENVIRONMENTAL

While compliance with current federal, state and local provisions regulating the discharge of material into the environment may require additional expenditures by the Company, these expenditures are not expected to have a material effect on capital expenditures, earnings or the competitive position of the Company.

RAW MATERIALS

The Company obtains natural and synthetic raw materials from a number of domestic suppliers. Cotton fiber is purchased at market rates from numerous cotton merchants and directly from cotton growing cooperatives under short-term supply contracts at costs which are significant factors in the Company's pricing
of its products. Man-made fibers are purchased from major chemical suppliers. Although the Company's procurement of raw materials is subject to variations in price and availability due to agricultural and other market conditions and in the price of petroleum used to produce man-made fibers, the Company believes that its sources of raw materials are adequate and that it is not materially dependent on any single supplier.

UTILITIES

The Company uses electricity as its principal energy source, with oil or natural gas used in some facilities for finishing operations as well as heating. During the past five years the Company has not experienced any material problems in obtaining electricity, natural gas or oil at anticipated prices. Nevertheless, energy shortages of extended duration could have an adverse effect on the Company's operations.

The Company had approximately 7,300 associates as of the end of fiscal 1993.

ITEM 2. PROPERTIES

The following table lists the Company's facilities according to location, type of operation and approximate total floor space as of March 11, 1994.

Location	Type of Operation	Approximate Square Feet
	CORPORATE	
Administrative:		
Chattanooga, TN	Administrative	41,000
	TEXTILE PRODUCTS	

Administrative:		
Gastonia, NC	Administrative	61,000
Warehousing:		
Gastonia, NC (2 locations)	Warehousing	88,000
Sales Branch Warehouses (4 locations)	Warehousing	54,000
	Total Warehousing	142,000
Manufacturing:		
Chattanooga, TN	Yarn Spinning	440,000
Mebane, NC	Yarn Spinning	99,000
Ranlo, NC	Yarn Spinning	482,000
Saxapahaw, NC	Yarn Spinning	264,000
Tarboro, NC	Yarn Spinning	340,000
Chattanooga, TN	Package Yarn Dyeing, Bleaching and Mercerizing	276,000
Tryon, NC	Bleaching and Mercerizing	63,000
Gastonia, NC	Thread Yarn Dyeing and Finishing	530,000
Arroyo, Puerto Rico	Thread Yarn Dyeing and Finishing	22,000
Gastonia, NC	Thread Yarn Spinning	445,000
Jefferson, SC	Knitting, and Fabric Dyeing and Finishing	274,000
Newton, NC	Yarn Spinning and Knitting	252,000
	Total Manufacturing	3,487,000
	FLOORCOVERING	
Administrative:		
Dalton, GA	Administrative	13,000
Calhoun, GA	Administrative	60,000
Mobile, AL(2)	Administrative	20,000
	Total Administrative	93,000
Warehousing:		
Ringgold, GA	Warehousing	119,000
Manufacturing:		
Lemoore, CA	Tufted Yarn Spinning	322,000
Ringgold, GA	Tufted Yarn Spinning	290,000
Roanoke, AL (1)	Tufted Yarn Spinning	190,000
Calhoun, GA	Carpet Manufacturing	1,016,000
Chatsworth, GA	Carpet Manufacturing	24,000
Atmore, AL	Carpet Manufacturing	262,000
Mobile, AL(2)	Rug Manufacturing, Distribution	400,000
	Total Manufacturing	2,504,000
	Total	6,447,000

ITEM 2. PROPERTIES - CONTINUED

(1) This property is currently leased. Under the provisions of the Roanoke, AL lease, the Company is acquiring title to the property over the term of the lease, which is expected to terminate in 2004.

(2) This property is currently leased. Under the provision of the Mobile, AL lease, the Company will acquire the property at the end of the lease.

In addition to the facilities listed above, the Company owns or leases various administrative, storage, warehouse and office spaces.

In the opinion of the Company, its manufacturing facilities are well maintained and the machinery is efficient and competitive. Operations at each plant generally vary between 120 hours and 168 hours per week. There are no material encumbrances on any of the Company's operations.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company or its subsidiaries are a party or of which any of its property is the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted during the fourth quarter of 1993 to a vote of the shareholders.

Pursuant to instruction G of Form 10-K the following is included as an unnumbered item to Part I.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions and offices held by the executive officers of the registrant as of March 11, 1994, are listed below along with their business experience during the past five years.

Name, Age and Position	Business Experience During Past Five Years
Daniel K. Frierson, 52 Chairman of the Board, President and Chief Executive Officer, Director, Member of Executive Committee	Director since 1973, Chairman of the Board since 1987 and Chief Executive Officer since 1980. Director of the American National Bank & Trust Co.. Brother of Paul K. Frierson
Phil Barlow, 45 Corporate Vice President and President, Carriage Industries, Inc.	Corporate Vice President and President of Carriage Industries, Inc. since 1993. Vice President of Sales and Marketing, Carriage, 1988-1993. Director of Sales and Marketing, Carriage, 1986 - 1988.
David C. Clarke, 36 Corporate Vice President and President, Threads USA	Corporate Vice President and President, Threads USA since February, 1994. Executive Vice President of Sales, Threads USA, from September, 1992 to February, 1994. Vice President of Direct Sales, Threads USA, from November, 1991 to September, 1992. Director of Direct Sales, Threads USA, from February, 1991 to November, 1991. Director of Sales, American Thread Company, from 1989 - 1991.
C. Pat Driver, 53 Corporate Vice President and President, Synthetic Yarns	Corporate Vice President and President, Synthetic Yarn Group since June, 1992. Corporate Vice President and President, Dixie Yarns Group, from 1989 to June, 1992. President, Carpet Yarns,

Group (Candlewick), 1983 - 1989.

EXECUTIVE OFFICERS OF THE REGISTRANT -- CONT.

Name, Age and Position	Business Experience During Past Five Years
Paul K. Frierson, 56 Corporate Vice President and President, Candlewick Yarns, Director	Director since 1988. Corporate Vice President and President, Carpet Yarns Group (Candlewick) since 1989. Executive Vice President of Candlewick from 1984 - 1989. Director of Nationsbank/Chattanooga. Brother of Daniel K. Frierson.
Charles P. McCamy, 40 Corporate Vice President and President, Caro Knit	Corporate Vice President and President, Caro Knit Group since December, 1992. Vice President of Manufacturing, Caro Knit Group, from January, 1991 to December, 1992. Vice President of Manufacturing, Great American Knitting Mills, 1989 - 1990.
George B. Smith, 53 Corporate Vice President and President, Natural and Dyed Yarns	Corporate Vice President and President, Natural and Dyed Yarn Group since August, 1993. President Natural Yarn Group from October, 1992 to August, 1993. Self-employed (Consulting and Commission Sales) June, 1990 to November, 1992. Corporate Vice President, Avondale Mills, Inc., 1986 - 1990. President, Avondale Yarn Division, 1989 - 1990. President, Avondale Fabric Division, 1986-1989.
John Sturdy, 64 Corporate Vice President and President, Masland Carpets, Inc.	Corporate Vice President and President, Masland Carpets, Inc., 1993. President & Chief Executive Officer, Masland Carpets, Inc., 1991 - 1993. President & Chief Operating Officer, The Harbinger Company, Inc., subsidiary of Horizon Industries, Inc. 1984 - 1991.
W. Derek Davis, 43 Corporate Vice President - Human Resources	Corporate Vice President of Human Resources since January, 1991. Corporate Employee Relations Director, 1990 - 1991. Employee Relations Director, Dixie Yarns Group and Carpet Yarns Group (Candlewick), 1988 - 1990.

EXECUTIVE OFFICERS OF THE REGISTRANT -- CONT.

Name, Age and Position	Business Experience During Past Five Years
Jon Faulkner, 34 Corporate Vice President - Administration	Corporate Vice President of Administration since 1993. Director of Management Information Systems, 1990 - 1993. Manager of Warehouses and Distribution, Threads USA, 1989 - 1990.
Gary Harmon, 48 Treasurer	Treasurer since 1993. Director of Tax and Financial Planning, 1985 - 1993.
D. Eugene Lasater, 43 Controller	Controller since 1988
Starr T. Klein, 51 Secretary	Secretary since November, 1992. Assistant Secretary, 1987 - 1992.

The executive officers of the registrant are elected annually by the Board of Directors at its first meeting held after each annual meeting of the Company's shareholders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The Company's Common Stock trades on the over-the-counter National Market System with the NASDAQ symbol DXYN. No market exists for the Company's Class B Common Stock.

As of March 11, 1994, the total number of record holders of the Company's Common Stock was approximately 6,200 and the total number of holders of the Company's Class B Common Stock was 19. Management of the Company estimates that there are approximately 4,700 shareholders who hold the Company's Common Stock in nominee names. Dividends and Price Range of Common Stock for the four quarterly periods in the years ended December 25, 1993 and December 26, 1992 are as follows:

QUARTERLY FINANCIAL DATA, DIVIDENDS
AND PRICE RANGE OF COMMON STOCK
(Unaudited)
(dollar amounts in thousands, except per share data)

	1993			
Quarter	1st	2nd	3rd	4th
Net sales	$120,777	$161,439	$152,530	$159,855
Gross profit	15,407	23,288	24,673	20,855
Net income	907	2,062	841	874

Earnings per common and common equivalent share	.10	.18	.07	.07
Dividends:				
Common Stock	.05	.05	.05	.05
Class B Common Stock	.05	.05	.05	.05
Common Stock prices:				
High	$ 15.38	$ 16.75	$ 13.50	$ 11.38
Low	$ 12.25	$ 10.75	$ 10.50	$ 8.75

	1992			
Quarter	1st	2nd	3rd	4th
Net sales	$119,149	$123,462	$113,965	$113,256
Gross profit	14,304	15,188	15,004	13,090
Net income	212	1,262	2,048	1,945
Earnings per common and common equivalent share	.02	.14	.23	.22
Dividends:				
Common Stock	.05	.05	.05	.05
Class B Common Stock	.05	.05	.05	.05
Common Stock prices:				
High	$ 12.00	$ 14.25	$ 14.13	$ 13.00
Low	$ 7.50	$ 9.75	$ 9.25	$ 9.25

The total of quarterly earnings per share does not equal the annual earnings per share due primarily to Common Stock purchased and issued during the respective periods. Gross profit, net income and earnings per share have been restated to reflect the adoption of Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," in 1993. The operating results of Carriage and Masland are included subsequent to acquisitions in arch and July of 1993, respectively.

The discussion of restrictions on payment of dividends is included in Note (E) to Consolidated Financial Statements included herein.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the related consolidated financial statements and notes thereto included under Items 8, 14(a) (1) and (2) and 14 (d) of the report on Form 10-K.

			Year Ended		
	December 25, 1993(1)	December 26, 1992(2)	December 28, 1991(2)	December 29, 1990(2)	December 30, 1989(2)
Net sales	$594,601,350	$469,832,466	$491,952,433	$556,207,313	$570,840,490
Income(loss) from continuing operations(3,4)	4,684,359	5,467,421	(25,557,215)	6,644,109	11,530,227
Total assets	496,578,881	397,080,239	372,806,621	394,041,690	385,710,694
Long-term debt:					
Senior indebtedness	87,649,871	70,022,500	59,323,800	28,987,400	60,925,900
Subordinated notes	50,000,000	50,000,000	50,000,000	50,000,000	---
Convertible subordinated debentures	44,782,000	44,782,000	44,782,000	47,000,000	50,000,000
Common Stock, subject to put option	18,177,958	---	---	---	---
Per Share:					
Income(loss) from continuing operations: (3,4)					
Primary	.41	.62	(2.90)	.70	1.11
Fully diluted	.40	.62	(2.90)	.70	1.11
Cash dividends declared:					
Common Stock	.2000	.2000	.4200	.6800	.6800
Class B Common Stock	.2000	.2000	.4200	.6800	.6633

(1) Includes the results of operations of Carriage Industries, Inc. and Masland Carpets, Inc. subsequent to their acquisitions on March 12, 1993 and July 9, 1993, respectively. See Note (B) to the Consolidated Financial Statements.

(2) Results for 1989 through 1992 have been restated to reflect the adoption of SFAS No. 109, "Accounting for Income Taxes." See Note (H) to the Consolidated Financial Statements.

(3) Income(loss) from continuing operations includes a restructuring charge of $18,271,000, or $2.08 per share, for the year ended December 28, 1991 and a charge for losses on plant closings of $1,143,000, or $.12 per share, for the year ended

December 29, 1990. See Note (I) to the Consolidated Financial Statements.

(4) Income(loss) from continuing operations excludes a charge for the cumulative effect of an accounting charge of $1,497,000, or $.17 per share, and an extraordinary gain from the early retirement of debt of $452,000, or $.05 per share, for the year ended December 28, 1991 and an extraordinary gain from the early retirement of debt of $699,000, or $.07 per share, for the year ended December 29, 1990.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

GENERAL

An integral part of the Company's strategy has been to restructure its textile operations and expand into floorcovering. Today, the Company operates in two business segments - Textile products and Floorcovering - with approximately half of its sales in each segment.

Restructuring - During the latter part of 1991, the Company accrued the estimated cost to restructure its operations of approximately $28.3 million ($18.3 million after-tax) and began implementation of a plan to reduce costs in its operations by consolidating manufacturing facilities and expanding to seven-day scheduled operations. Cost of the restructuring incurred through 1993, consisted of approximately $13.5 million to write-down certain assets to estimated fair market value, approximately $3.2 million for severance payments and approximately $11.1 million for other direct costs of the restructuring. Five smaller manufacturing facilities were closed and one was sold. Production and equipment from the discontinued facilities were consolidated into larger, more efficient units and virtually every textile and carpet yarn facility was impacted by the restructuring. Disruptions associated with product and machinery changes had a negative impact on operating profits, particularly in 1993. Substantially all of the planned changes have been completed; however, additional costs are anticipated in 1994 until operations reach planned efficiency levels.

Expansion into floorcovering - The carpet industry has been consolidating for a number of years and the Company intends to participate in the industry's consolidation by acquiring carpet companies that serve specialty markets. The acquisition of Carriage Industries, Inc. was completed on March 12, 1993 and Masland Carpets, Inc. was acquired on July 9, 1993. Both Carriage and Masland produce floorcovering products for specialty markets. Carriage is a vertically integrated manufacturer of specialized floorcovering for the manufactured housing, recreational vehicle and small boat industries, the exposition/trade show market, the contract/residential market, and the home center/needlebond market. Masland manufactures high-end residential and contract commercial carpet and designer rugs for interior designers, architects and specialty retailers.

RESULTS OF OPERATIONS

1993 Compared with 1992 - Sales for the year ended December 25, 1993 increased approximately 27%. The increase in 1993 sales is attributable to the Company's floorcovering business, which now includes the Company's carpet yarn manufacturing operations and subsequent to their 1993 acquisitions, the operations of Carriage Industries, Inc. and Masland Carpets, Inc.. The dollar volume of sales of the Company's textile products declined 4.5% in 1993, although unit volume increased. The decline in sales of textile products is attributable to weak retail apparel markets and the sale of a dyed yarn facility in the first quarter of 1993.

Net income was $4.5 million, or $.41 per share, in 1993 compared with $5.5 million, or $.62 per share, in 1992. Operating income for 1993 was 9.2% of sales in the Company's floorcovering business and .5% of sales for textile products, compared with 6.4% and 4.4%, respectively, in 1992. In addition to the 1993 acquisitions, floorcovering enjoyed strong growth and favorable conditions in the markets it serves throughout 1993. The decrease in operating profits for textile products in 1993 is principally due to weak demand for apparel products and raw material price increases that could not be passed along to customers resulting in price and margin erosion, particularly in the third and fourth quarters of 1993. Disruptions associated with production and operating consolidations have had a negative impact on profits of the Company's textile business.

The increase in gross profits and selling, general and administrative expenses as a percent of sales in 1993 reflects the traditional higher margins and higher selling and product distribution costs associated with the specialized floorcovering markets serviced by Carriage and Masland.

The increase in other income in 1993 is principally the result of approximately $1.8 million of storm insurance proceeds and gains from assets disposals. Interest expense increased in 1993 due to the higher levels of debt. The Company's effective income tax rate differs from the statutory income tax rates due primarily to nondeductible amortization of intangible assets. Also in 1993, a non-cash income tax charge of approximately $.5 million, or $.04 per share, resulted from the effect of the increase in the statutory federal income tax rate on deferred income taxes established in prior years.

During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and changed its method of accounting for income taxes to the liability method. In connection with the change in method of accounting, financial statements for periods subsequent to 1986 were restated as if the new method had been in effect during those periods. The effect of the change was to decrease 1992 net income by approximately $.2 million, or $.03 per share, and increase the 1991 net loss by approximately $.2 million, or $.02 per share.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," which requires, under certain conditions, the adoption of accrual accounting for postemployment benefits no later than 1994. The Company sponsors no such plans and the new standard is not expected to affect the Company's financial statements.

1992 Compared with 1991 - Dollar sales decreased in 1992 although unit volume increased. The decrease in dollar volume of sales was attributable to the Company's textile products business, which declined in 1992 due to the effect of adverse economic conditions in high-end markets and a greater portion of unit sales consisting of lower priced products. Operating profits, excluding the effect of the restructuring charge in 1991, increased in both the Company's floorcovering and textile products segments increased as a result of reductions in raw materials costs, manufacturing costs, and selling, general and administrative expenses.

Interest expense decreased in 1992 due to lower interest rates. The Company's effective income tax rate differs from the statutory income tax rate due primarily to nondeductible amortization of intangible assets.

Net income for 1991 was negatively impacted by an $18.3 million after-tax charge to record the estimated cost of product and facility consolidations associated with the planned restructuring of operations and a $1.5 million after-tax charge for the cumulative effect of the change in method of accounting for postretirement benefits other than pensions when Statement of Financial Accounting Standards No. 106 was adopted.

LIQUIDITY AND CAPITAL RESOURCES

During the three year period ended December 25, 1993, funds generated from operating activities totaled $117.2 million and funds raised through additional long-term debt amounted to $56.4 million. These cash flows funded the Company's operations, capital expenditures, and cash used in business acquisitions.

Funds generated from operating activities (including $45 million from the sale of accounts receivables) were $60.2 million in 1993 and were supplemented by $16.5 million of additional senior indebtedness and $9.2 million (exclusive of insurance proceeds) from the disposal of assets. These funds financed, among other things, $38.8 million of capital expenditures (exclusive of storm and fire related expenditures), the retirement of $36.3 million of debt and expenses related to acquisitions, and dividend payments.

On March 13, 1993 a severe winter storm damaged a substantial portion of Carriage's manufacturing facilities, and in August 1993, a fire destroyed Bretlin's Chatsworth, Georgia needlebond facility. Carriage and Bretlin have substantially completed the rebuilding of their damaged facilities. Expenditures to replace or repair damaged facilities, costs, and certain losses associated with the storm and fire were approximately $33.5 million in 1993. Both losses were covered by insurance. Through the end of 1993, insurance reimbursements of approximately $28.1 million had been received. Although the insurance recovery for the storm and fire damage has not been concluded, coverage continues to appear adequate.

Capital expenditures were approximately 128% of depreciation and amortization expenses during the three year period ended December 25, 1993 and were directed toward upgrading equipment, improving quality, and providing for greater production efficiency and flexibility.

Capital expenditures for 1994 are expected to be below the level of depreciation and amortization expenses and will be concentrated in the Company's floorcovering business.

The Company acquired approximately 46% of the outstanding common stock of Carriage Industries, Inc. in 1992 for $27.4 million cash and acquired Carriage's remaining, publicly-held shares on March 12, 1993 in exchange for approximately 2.5 million shares of the Company Common Stock, options to purchase approximately .1 million shares of the Company's Common Stock, and approximately $.7 million cash. On July 9, 1993, the assets of Masland Carpets, Inc. were acquired in exchange for approximately 1.0 million shares of the Company's Common Stock, $1.1 million cash, and the assumption of approximately $.8 million of debt. The holders of the shares issued in the Masland acquisition have the right, after two years, to put the shares to the Company at a price of approximately $18 per share.

In October 1993, the Company entered into a seven-year agreement to sell an undivided interest in a revolving pool of its trade accounts receivable. At December 25, 1993, a $45,000,000 interest had been sold under this agreement, and the sale is reflected as a reduction of accounts receivable. The cost of this program are based upon rating agencies' assessment of the quality of the receivables pool and the purchasers' level of investment and are fixed at 6.08% per annum plus administrative fees typical in such transactions. In addition, the Company is generally responsible for credit losses associated with sold receivables.

At December 25, 1993, the Company's debt structure consisted of $44.8 million of convertible subordinated debentures, $ 50.0 million of subordinated notes, and $86.5 million of senior indebtedness, principally under a revolving credit and term loan agreement. The convertible subordinated debentures require mandatory sinking fund payments beginning in 1998. Payments are not required under the Company's subordinated notes until 2000. The revolving credit and term loan agreement provides revolving credit up to $125.0 million until September 30, 1995, at which time the outstanding balance, at the Company's election, may be converted into a term loan payable in semi-annual installments over five years. At year-end, the available unused borrowing capacity under the agreement was approximately $38.5 million.

The Company's future liquidity requirements are expected to consist primarily of capital expenditures, seasonal working capital requirements, and funds necessary to finance the Company's expansion in the floorcovering business. These liquidity requirements are expected to be financed from operating cash flows, existing credit arrangements, issuance of capital stock, and public or private debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The supplementary financial information as required by Item 302 of Regulation S-K is included in PART II, ITEM 5 of this report and the remaining response is included in a separate section of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The section entitled "Information about Nominees for Directors" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 5, 1994 is incorporated herein by reference. Information regarding the executive officers of the registrant is presented in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

The section entitled "Executive Compensation Information" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 5, 1994 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The section entitled "Principal Shareholders", as well as the beneficial ownership table (and accompanying notes) from the section entitled "Information About Nominees for Directors" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 5, 1994 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section entitled "Certain Transactions Between the Company and Directors and Officers" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 5, 1994 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2)-- The response to this portion of Item 14 is submitted as a separate section of this report.

(3) Listing of Exhibits:

(i) Exhibits Incorporated by Reference:

(3a) Restated Charter of Dixie Yarns, Inc.

(3b) Amended and Restated By-Laws of Dixie Yarns, Inc.

(4a) Second Amended and Restated Revolving Credit and Term Loan Agreement dated January 31, 1992 by and among Dixie Yarns, Inc., and Trust Company Bank, NationsBank of North Carolina, N.A. and Chemical Bank.

(4b) Loan Agreement dated February 6, 1990, between Dixie Yarn, Inc. and New York Life Insurance Company and New York Life Insurance and Annuity Corporation.

(4c) Form of Indenture, Dated May 15, 1987 between Dixie Yarns, Inc. and Morgan Guaranty Trust Company of New York as trustee.

(4d) Revolving Credit Loan Agreement dated as of September 16, 1991 by and among Ti-Caro, Inc. and Trust Company Bank, individually and as Agent, NCNB National Bank and Chemical Bank.

(4e) First Amendment to Revolving Credit Loan Agreement dated as of August 19, 1992 by and among Ti-Caro, Inc., T-C Threads, Inc. and Trust Company Bank, individually and as agent, NCNB National Bank, and Chemical Bank.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K - CONTINUED

(3) Listing of Exhibits:

(10a) Dixie Yarns, Inc. 1983 Incentive Stock Option Plan.

(10b) Dixie Yarns, Inc. Incentive Stock Plan.

(10c) Dixie Yarns, Inc. Nonqualified Defined Contribution Plan.

(10d) Dixie Yarns, Inc. Nonqualified Employee Savings Plan.

(10e) Dixie Yarns, Inc. Incentive Compensation Plan.

(10f) Asset Transfer and Restructuring Agreement dated July 19, 1993, by and among Dixie Yarns, Inc., Masland Carpets, Inc., individual management investors of Masland Carpets, Inc., The Prudential Insurance Company of America and Pruco Life Insurance Company

(10g) Assignment and Bill of Sale dated July 9, 1993, by and between Dixie Yarns, Inc. and Masland Carpets, Inc.

(10h) Assignment and Assumption Agreement dated July 9, 1993, by and between Dixie Yarns, Inc. and Masland Carpets, Inc.

(10i) Stock Rights and Restrictions Agreement dated July 9, 1993, by and among Dixie Yarns, Inc., Masland Carpets, Inc., The Prudential Insurance Company of America and Pruco Life Insurance Company of America.

(10j) Pooling and Servicing Agreement dated as of October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and NationsBank of Virginia, N.A. (as Trustee).

(10k) Annex X - Definitions, to Pooling and Servicing Agreement dated as of October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and NationsBank of Virginia, N.A. (as Trustee).

(10l) Series 1993-1 Supplement, dated as of October 15, 1993, to Pooling and Servicing Agreement dated as of October 15, 1993, among Dixie Yarns, Inc., Dixie Funding Inc. and NationsBank of Virginia, N.A. (as Trustee).

(10m) Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and New York Life Insurance and Annuity Corporation.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K - CONTINUED

(3) Listing of Exhibits --Continued

(10n) Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and John Alden Life Insurance Company.

(10o) Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and John Alden Life Insurance Company of New York.

(10p) Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and Keyport Life Insurance Company.

(10q) Executive Severance Agreement dated as of September 8, 1988 as amended.

(ii) Exhibits filed with this report:

(4f) First Amendment, dated August 25, 1993 to Second Amended and Restated Revolving Credit and Term Loan Agreement dated January 31, 1992, by and among Dixie Yarns, Inc. and Trust Company Bank, NationsBank of North Carolina, N.A. and Chemical Bank.

(11) Statement Re: Computation of Earnings Per Share.

(21) Subsidiaries of the Registrant.

(23) Consent of Ernst & Young.

(b) Reports on Form 8-K--The following reports on Form 8-K have been filed by the registrant during the last quarter of the period covered by this report:

Current Report on Form 8-K, dated October 15, 1993 reporting the sale of an undivided interest in a revolving pool of its trade accounts receivable.

(c) Exhibits--The response to this portion of Item 14 is submitted as a separate section of this report. See Item 14 (a) (3) (ii) above.

(d) Financial Statement Schedules--The response to this portion of Item 14 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIXIE YARNS, INC.

March 24, 1994

BY: /s/DANIEL K. FRIERSON
Daniel K. Frierson,
Chairman of the Board,
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/DANIEL K. FRIERSON Daniel K. Frierson	Chairman of the Board, President, Director and Chief Executive Officer	March 24, 1994
/s/PAUL K. FRIERSON Paul K. Frierson	Corporate Vice-President, President of the Candlewick Group and Director	March 24, 1994
/s/D. EUGENE LASATER D. Eugene Lasater	Controller	March 24, 1994
/s/GARY A. HARMON Gary A. Harmon	Treasurer	March 24, 1994
/s/PAUL K. BROCK Paul K. Brock	Director	March 24, 1994

SIGNATURES -- CONTINUED

/s/LOVIC A. BROOKS, JR.	Director	March 24, 1994

Lovic A. Brooks, Jr.

/s/J. FRANK HARRISON, JR. J. Frank Harrison, Jr.	Director	March 24, 1994
/s/JAMES H. MARTIN, JR. James H. Martin, Jr.	Director	March 24, 1994
/s/PETER L. SMITH Peter L. Smith	Director	March 24, 1994
/s/JOSEPH T. SPENCE, JR. Joseph T. Spence, Jr.	Director	March 24, 1994
/s/ROBERT J. SUDDERTH, JR. Robert J. Sudderth, Jr.	Director	March 24, 1994

ITEM 8, ITEM 14 (a)(1) AND (2) AND ITEM 14(d)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 25, 1993

DIXIE YARNS, INC.

CHATTANOOGA, TENNESSEE

FORM 10-K--ITEM 14(a)(1) and (2)

DIXIE YARNS, INC. AND SUBSIDIARIES

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of Dixie Yarns, Inc. and subsidiaries are included in Item 8:

Report of Independent Auditors

Consolidated balance sheets--December 25, 1993 and December 26, 1992

Consolidated statements of income(loss)--Years ended December 25, 1993, December 26, 1992, and December 28, 1991

Consolidated statements of cash flows--Years ended December 25, 1993, December 26, 1992, and December 28, 1991.

Consolidated statements of stockholders' equity--Years ended December 25, 1993, December 26, 1992, December 28, 1991

The following consolidated financial statement schedules of Dixie Yarns, Inc. and subsidiaries are included in Item 14(d):

Schedule V--Property, plant and equipment

Schedule VI--Accumulated depreciation, depletion, and amortization of property, plant and equipment

Schedule VIII--Valuation and qualifying account

Schedule X--Supplementary income statement information

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions, or are inapplicable, or the information is otherwise shown in the financial statements or notes thereto, and therefore have been omitted.

Report of Independent Auditors

Board of Directors
Dixie Yarns, Inc.

We have audited the accompanying consolidated balance sheets of Dixie Yarns, Inc. and subsidiaries as of December 25, 1993 and December 26, 1992, and the related consolidated statements of income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 25, 1993. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dixie Yarns, Inc. and subsidiaries at December 25, 1993 and December 26, 1992, and the consolidated results of its operations and cash flows for each of the three years in the period ended December 25, 1993, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note (H) to the consolidated financial statements, in 1993 the Company changed its method of accounting for income taxes.

ERNST & YOUNG

Chattanooga, Tennessee
February 17, 1994

DIXIE YARNS, INC.
CONSOLIDATED BALANCE SHEETS

	December 25, 1993	December 26, 1992
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,047,459	$ 1,425,985
Accounts receivable (less allowance for doubtful accounts of $3,900,000 in 1993 and $4,200,000 in 1992)	26,553,831	50,415,020
Inventories	105,809,888	67,086,327
Other	11,667,083	4,067,430
TOTAL CURRENT ASSETS	148,078,261	122,994,762
PROPERTY, PLANT AND EQUIPMENT		
On the basis of cost		
Land and improvements	12,346,361	9,754,481
Buildings and improvements	105,198,798	81,597,789
Machinery and Equipment	350,751,015	286,908,460
	468,296,174	378,260,730
Less accumulated amortization and depreciation	193,037,707	180,466,651
	275,258,467	197,794,079
INTANGIBLE ASSETS (less accumulated amortization of $8,742,059 in 1993 and $7,116,742 in 1992)	62,722,113	42,648,228
INVESTMENT IN AFFILIATE		27,936,050
OTHER ASSETS	10,520,040	5,707,120
TOTAL ASSETS	$496,578,881	$397,080,239

	December 25, 1993	December 26, 1992
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 32,245,506	$ 24,007,294
Accrued expenses	26,518,429	21,010,085
Current portion of long-term debt	446,829	1,300
TOTAL CURRENT LIABILITIES	59,210,764	45,018,679

LONG-TERM DEBT		
Senior indebtedness	87,649,871	70,022,500
Subordinated notes	50,000,000	50,000,000
Convertible subordinated debentures	44,782,000	44,782,000
	182,431,871	164,804,500
OTHER LIABILITIES	13,037,877	3,093,503
DEFERRED INCOME TAXES	48,038,943	37,804,231
COMMON STOCK, SUBJECT TO PUT OPTION - 1,029,446 shares	18,177,958	
STOCKHOLDERS' EQUITY		
Common Stock ($3 par value per share): Authorized 80,000,000 shares, issued and outstanding, including shares in treasury - 13,852,233 shares in 1993 and 11,342,422 shares in 1992	41,556,699	34,027,266
Class B Common Stock ($3 par value per share): Authorized 16,000,000 shares, issued and outstanding- 735,228 shares in 1993 and 1992	2,205,684	2,205,684
Additional paid-in capital	131,684,054	107,149,489
Retained earnings	60,302,834	57,841,860
Minimum pension liability adjustment	(4,981,943)	
	230,767,328	201,224,299
Less Common Stock in treasury at cost - 3,356,646 shares in 1993 and 3,340,930 shares in 1992	55,085,860	54,864,973
	175,681,468	146,359,326
Commitments - Note N		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$496,578,881	$397,080,239

See notes to consolidated financial statements.

DIXIE YARNS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

		Year Ended	
	December 25, 1993	December 26, 1992	December 28, 1991
Net sales	$594,601,350	$469,832,466	$491,952,433
Cost of sales	510,378,826	412,246,551	443,015,737
	84,222,524	57,585,915	48,936,696
Selling, general and administrative expenses	59,910,691	32,469,983	36,702,948
Restructuring and plant closing costs	---	---	28,275,877
Corporate expenses	5,159,000	5,600,000	7,700,000
Other income (expense) - net	2,640,156	256,021	(1,491,092)
	21,792,989	19,771,953	(25,233,221)
Interest expense	12,772,630	10,824,344	12,180,429
INCOME(LOSS) BEFORE INCOME TAXES, EXTRAORDINARY GAIN, AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	9,020,359	8,947,609	(37,413,650)
Income tax provision (benefit)	4,336,000	3,480,188	(11,856,435)

INCOME (LOSS) BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	4,684,359	5,467,421	(25,557,215)
Extraordinary gain from debt retirement (less applicable income taxes of $288,000)			451,706
Cumulative effect of accounting change (less applicable income taxes of $898,000)			(1,497,195)
NET INCOME (LOSS)	$ 4,684,359	$ 5,467,421	$(26,602,704)

Per common and common equivalent share:			
Income (loss) before extraordinary gain and cumulative effect of accounting change	$ .41	$ .62	$ (2.90)
Extraordinary gain			.05
Cumulative effect of accounting change			(.17)
Net income (loss)	$ .41	$ .62	$ (3.02)

See notes to consolidated financial statements.

DIXIE YARNS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 25, 1993	December 26, 1992	December 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 4,684,359	$ 5,467,421	$(26,602,704)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	31,221,998	25,041,941	24,418,389
Provision (benefit) for deferred income taxes	3,768,000	2,023,188	(12,553,435)
Equity in earnings of affiliate	(353,000)	(586,000)	--
(Gain) loss on property, plant and equipment disposals	(1,994,510)	(1,371,960)	120,000
Restructuring and plant closing costs	---	---	27,102,088
Extraordinary gain from debt retirement	---	--	(451,706)
Cumulative effect of accounting change	---	--	1,497,195
Changes in operating assets and liabilities, net of effects of business combinations:			
Accounts receivable (includes $45 million sold in 1993)	43,839,084	(2,050,734)	7,532,675
Inventories	1,452,857	7,712,869	934,448
Other current assets	(2,614,774)	295,393	1,696,554
Other assets	(1,887,097)	452,274	3,109,202
Accounts payable and accrued expenses	(18,859,652)	5,385,942	(12,177,436)
Other liabilities	923,090	(262,485)	276,793
NET CASH PROVIDED BY OPERATING ACTIVITIES	60,180,355	42,107,849	14,902,063
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sales and insurance recovery of property, plant and equipment	14,582,419	1,755,516	2,578,782
Purchase of property, plant and equipment (includes $12.1 million in 1993 for storm/fire damages)	(50,885,812)	(26,324,316)	(38,306,024)
Equity investment in Carriage Industries, Inc.	---	(27,350,050)	---
Cash payments in connection with business combinations, net of cash acquired	(3,999,546)	---	---

NET CASH USED IN INVESTING ACTIVITIES	(40,302,939)	(51,918,850)	(35,727,242)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in credit line borrowings	16,500,000	10,700,000	36,900,000
Debt assumed in acquisitions and retired	(32,327,167)	---	---
Repayment of senior debt and repurchase of convertible subordinated notes	---	--	(8,946,575)
Capital stock acquired	(339,268)	(229,636)	(3,217,191)
Dividends paid	(2,223,385)	(1,745,573)	(3,690,585)
Other	1,133,878	175,516	154,804
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(17,255,942)	8,900,307	21,200,453
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	2,621,474	(910,694)	375,274
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,425,985	2,336,679	1,961,405
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,047,459	$ 1,425,985	$ 2,336,679

See notes to consolidated financial statements.

DIXIE YARNS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Pension Liability Adjustment	Common Stock In Treasury
BALANCE AT DECEMBER 30, 1990	$33,912,783	$2,205,684	$107,116,277	$82,839,357		$(51,602,871)
Restatement for the cumulative effect of change in method of accounting - Note (H)				1,573,944		
BALANCE AT DECEMBER 30, 1990 AS RESTATED	33,912,783	2,205,684	107,116,277	84,413,301		(51,602,871)
Common Stock acquired and retired - 6,463 shares	(19,389)		(59,423)			
Common Stock acquired for treasury- 242,675 shares						(3,138,379)
Common Stock sold under stock option and Employees' Stock Purchase Plan - 22,900 shares	68,700		87,104			
Net income (loss) for the year				(26,602,704)		
Dividends declared-Common Stock and Class B Common Stock $.42 per share				(3,690,585)		
BALANCE AT DECEMBER 28, 1991	33,962,094	2,205,684	107,143,958	54,120,012		(54,741,250)
Common Stock acquired and retired - 7,876 shares	(23,628)		(82,285)			
Common Stock acquired for treasury - 9,900 shares						(123,723)
Common Stock sold under stock option and Employees' Stock Purchase Plan - 29,600 shares	88,800		87,816			
Net income for the year				5,467,421		
Dividends declared-Common Stock and Class B Common Stock $.20 per share				(1,745,573)		
BALANCE AT DECEMBER 26, 1992	34,027,266	2,205,684	107,149,489	57,841,860		(54,864,973)
Common Stock acquired and retired - 8,582 shares	(25,746)		(92,635)			
Common Stock acquired for treasury - 15,716 shares						(220,887)
Common Stock sold under stock option and Employees' Stock Purchase Plan - 45,499 shares	136,497		174,481			
Common Stock issued in connection with Carriage Industries acquisition - 2,472,894 shares	7,418,682		23,754,688			
Options issued in connection with Carriage Industries acquisition			698,031			
Net income for the year				4,684,359		
Minimum pension liability adjustment					(4,981,943)	
Dividends declared-Common Stock and Class B Common Stock $.20 per share				(2,223,385)		
BALANCE AT DECEMBER 25, 1993	$41,556,699	$2,205,684	$131,684,054	$60,302,834	$(4,981,943)	$(55,085,860)

See notes to consolidated financial statements.

DIXIE YARNS, INC.
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Dixie Yarns, Inc. and its wholly-owned subsidiaries (the "Company"). Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents: Highly liquid investments with original maturities of three months or less when purchased are reported as cash equivalents.

Credit and Market Risk: The Company sells products primarily to manufacturers located throughout the United States who produce products for a wide variety of end users. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. An allowance for doubtful accounts is maintained at a level which management believes is sufficient to cover potential credit losses. The Company invests its excess cash in short-term investments and has not experienced any losses on those investments.

Inventories: Substantially all inventories are stated at cost determined by the last-in, first-out (LIFO) method, which is less than market.

Inventories are summarized as follows:

	1993	1992
At current cost:		
Raw materials	$ 25,274,771	$ 19,619,417
Work-in-process	24,602,923	15,662,366
Finished goods	62,664,139	41,338,244
Supplies, repair parts and other	9,792,498	10,329,674
	122,334,331	86,949,701
Excess of current cost over LIFO value	(16,524,443)	(19,863,374)
	$105,809,888	$67,086,327

During 1993 and 1992, the reduction of certain inventory quantities resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of these reductions was to increase net income by approximately $350,000 ($.03 per share) and $506,000 ($.06 per share) for 1993 and 1992, respectively.

Property, Plant and Equipment: Provision for depreciation and amortization of property, plant and equipment has been computed using the straight-line method for financial reporting purposes and in accordance with the applicable statutory recovery methods for tax purposes. Depreciation and amortization of property, plant and equipment for financial reporting purposes totaled $29,245,367 in 1993, $23,712,953 in 1992, and $22,847,307 in 1991. When events occur that change the extent or manner in which long-lived assets are used, such as a restructuring of the Company's operations, evidence of physical defects, or technological obsolescence, such impaired assets are written down to their estimated fair market value. If such assets are permanently taken out of service, they are no longer depreciated.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets: The excess of the purchase price over the fair market value of identifiable net assets acquired in business combinations is being amortized using the straight-line method over 40 years. The carrying value of goodwill will be reviewed if the facts and circumstances suggest that it may be impaired. Impairment will be measured, and goodwill reduced, for any deficiency of estimated cash flows during the amortization period related to the business acquired.

Income Taxes: The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," in 1993. See Note (H).

Earnings per Share: Primary earnings per common and common equivalent share is computed using the weighted average number of shares of Common Stock outstanding and includes the effects of Class B Common Stock and the potentially dilutive effects of the exercise of stock options and the put option. Fully-diluted earnings per share reflects the maximum potential dilution of per share earnings which would have occurred assuming the exercise of stock options, the put option, and the conversion of subordinated debentures into shares of Common Stock. For 1993, 1992 and 1991, the additional dilution computed was less than 3%.

Revenue recognition: The Company recognizes revenue at the time title passes to the customer.

Postemployment Benefits: The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits," which requires, under certain conditions, the adoption of accrual accounting for postemployment benefits no later than 1994. The Company sponsors no such plans and the new standard is not expected to affect the Company's financial statements.

Reclassifications: In order to conform to the 1993 presentation, certain operating group expenses for 1992 and 1991 which had previously been reported as cost of sales, were reclassified to selling, general and administrative expenses in the accompanying consolidated statements of income (loss). In addition, corporate expenses have been segregated from selling, general and administrative expenses.

NOTE B - BUSINESS COMBINATIONS

On September 4, 1992, the Company acquired approximately 46% of the outstanding shares of Carriage Industries, Inc. ("Carriage") for $27,400,446 cash ($13.25 per share plus expenses) and on March 12, 1993 acquired the remaining shares of Carriage. The Company issued 2,472,884 shares of its Common Stock, options to purchase 83,044 shares of its Common Stock, and approximately $661,000 cash in exchange for the remaining shares and options for shares of Carriage. The acquisition was accounted for as a purchase effective March 12, 1993, and accordingly, the results of operations and accounts of Carriage subsequent to March 12, 1993 are included in the Company's consolidated financial statements. The total purchase price of $63,685,083 (the Company's initial cash investment in Carriage, expenses of the acquisition, and the estimated fair value of the Company's Common Stock and options exchanged) was allocated to the net tangible assets of Carriage based on the estimated fair market values of the assets acquired. As required by the purchase method of accounting, the excess amount of the purchase price over the fair market value of Carriage's net tangible assets was recorded as an intangible asset and is being amortized using the straight-line method over 40 years.

On July 9, 1993, the Company acquired the operating assets and liabilities of Masland Carpets, Inc. ("Masland") in exchange for 1,029,446 shares of the Company's Common Stock, approximately $1,100,000 cash, and the assumption of $750,000 of debt. The Common Stock was issued subject to an agreement which provides certain registration rights respecting the Common Stock, as well as the right, after two years, to put the shares to the Company at a price of $18.06 per share (reduced by dividends paid). The acquisition was accounted for as a purchase effective July 9, 1993, and accordingly, the results of operations and accounts of Masland subsequent to July 9, 1993 are included in the Company's consolidated financial statements. The total purchase price of $19,622,192 (cash paid, expenses of the acquisition, and estimated fair value of the Company's Common Stock issued subject to put option) was allocated to the net tangible assets of Masland based on the estimated fair market values of the assets acquired.

A summary of net assets acquired is as follows:

	Carriage	Masland
Current assets	$ 49,865,747	$ 16,316,797
Property, plant and equipment	53,440,710	11,748,152
Other assets	4,618,971	76,181
Current liabilities	(26,802,995)	(7,072,437)
Long-term debt	(27,222,687)	(450,000)
Other liabilities and deferred taxes	(12,326,472)	(1,553,215)
Intangible asset	21,699,203	---
Net Assets Acquired Excluding Cash	63,272,477	19,065,478
Cash	412,606	556,714
Net Assets Acquired	$63,685,083	$19,622,192

The following unaudited pro forma summary presents the consolidated results of operations as if the acquisitions of Carriage and Masland had occurred at the beginning of each period presented after giving effect to certain adjustments, including amortization of cost in excess of net tangible assets acquired, interest expense on debt to finance the acquisitions and related income taxes. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results that would have occurred had the acquisitions occurred at the beginning of the periods presented or of results which may occur in the future.

	1993	1992
Net sales	$641,950,000	$637,680,000
Income from continuing operations	6,218,000	8,628,000
Net income (1)	6,218,000	4,099,000
Per common and common equivalent share:		
Income from continuing operations	.49	.67
Net income (1)	.49	.32

(1) Net income for the fiscal year ended December 26, 1992 includes losses of $3,537,000 after taxes ($.28 per share) on operations of and disposal of a Carriage segment held for sale and a loss of $992,000 after taxes ($.08 per share) to record the cumulative effect of the adoption of Statement of Financial Accounting Standards No. 106,"Employers Accounting for Postretirement Benefits Other than Pensions" by Masland.

Prior to the merger, the Company's initial investment in Carriage was accounted for by the equity method. Accordingly, net income for 1993 and 1992 includes the Company's proportionate share of Carriage's earnings for periods prior to the merger of approximately $320,000 and $538,000 after taxes, respectively.

Condensed unaudited historical financial information of Carriage at and for the twelve months ended December 27, 1992 and December 29, 1991 is summarized as follows:

	1992	1991
Income statement information:		
Net sales	$133,363,000	$105,976,000
Gross profit	36,096,000	24,936,000
Income from continuing operations	4,697,000	726,000
Net income	1,160,000	974,000
Balance sheet information:		
Current assets	41,920,000	---
Non-current assets	44,827,000	---
Current liabilities	18,811,000	---
Non-current liabilities	33,617,000	---

NOTE C --SALE OF ACCOUNTS RECEIVABLE

In October 1993, the Company entered into a seven-year agreement to sell an undivided interest in a revolving pool of its trade accounts receivable. At December 25, 1993, a $45,000,000 interest had been sold under this agreement, reflected as a reduction of accounts receivable in the accompanying consolidated balance sheets. The costs of this program, which were approximately $570,000 in 1993, are based upon rating agencies' assessment of the quality of the receivables pool and the purchasers' level of investment and are fixed at 6.08% per annum plus administrative fees typical in such transactions. These costs are included in other expense. The Company maintains allowances for doubtful accounts at a level which management believes is sufficient to cover potential credit losses relating to trade accounts receivable, including receivables sold.

NOTE D--ACCRUED EXPENSES

Accrued expenses consists of the following:

	1993	1992
Compensation and benefits	$ 11,775,625	$ 9,156,692
Interest expense	2,632,072	2,486,885
Restructuring expense	487,376	3,641,046

Other	11,623,356	5,725,462
	$ 26,518,429	$21,010,085

NOTE E--LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following:

	1993	1992
Senior Debt:		
Credit line borrowings	$ 86,500,000	$ 70,000,000
Other	1,596,700	23,800
	88,096,700	70,023,800
Less current portion	446,829	1,300
	87,649,871	70,022,500
Subordinated notes	50,000,000	50,000,000
Convertible subordinated debentures	44,782,000	44,782,000
	$182,431,871	$164,804,500

The Company's revolving credit and term loan agreement provides for borrowings of up to $125,000,000 until September 30, 1995, at which time the outstanding balance, at the Company's election, may be converted into a term loan payable in semi-annual installments over five years. The Company may select from several interest rate options which effectively allow for borrowings at rates equal to or lower than the lender's prime rate. A commitment fee of 1/4% per annum is payable on the average daily unused balance of the revolving credit line. At December 25, 1993, the Company's unused borrowing capacity under the arrangement was approximately $38,500,000.

The Company's subordinated notes are unsecured, bear interest of 9.96% payable semiannually, and are due in semiannual installments $2,381,000 beginning February 1, 2000.

The convertible subordinated debentures bear interest of 7% payable semiannually and are due 2012. The debentures are convertible by the holder into shares of Common Stock of the Company at an effective conversion price of $32.20 per share, subject to adjustment under certain circumstances. The debentures are redeemable at the Company's option through May 15, 1997, in whole or in part, at prices ranging from 102.8% to 100.7% of their principal amount. Subsequent to that date the debentures may be redeemed at 100% of their principal amount. Mandatory sinking fund payments commencing May 15, 1998, will retire $2,500,000 principal amount of the debenture annually and approximately 70% of the debentures prior to maturity. The debentures are subordinated in right of payment to all other indebtedness of the Company.

During 1991, the Company repurchased $2,218,000 face value of the debentures resulting in an extraordinary after-tax gain of $451,706 ($.05 per share).

The Company's long-term debt and credit arrangements include restrictions relating to minimum net worth, debt to capital ratio, and other financial ratios. The agreements also limit the amount of cash dividends that may be paid. Retained earnings available for payment of dividends amounted to approximately $978,000 at December 25, 1993.

Approximate maturities of long-term debt for each of the five years succeeding December 25, 1993, assuming conversion of amounts outstanding under the revolving credit arrangement to a term loan as discussed above, are $447,000 in 1994, $459,000 in 1995, $16,471,000 in 1996 $16,317,000 in 1997, and $18,818,000 in 1998.

Interest payments in 1993, 1992, and 1991 were approximately $12,662,000, $11,077,000, and $11,947,000, respectively.

NOTE F--FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 4,047,459	$ 4,047,459	$ 1,425,985	$ 1,425,985
Long-term debt (including current portion)	182,878,700	178,974,000	164,805,800	157,893,000
Common Stock, subject to put option	18,177,958	18,177,958	---	---

The carrying amounts of cash and cash equivalents approximate fair values due to the short-term maturity of these instruments. The fair values of the Company's long-term debt were estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements and quoted market rates for public debt. The fair value of the Company's Common Stock, subject to put option, was based on current interest rates, future cash flows, and the quoted market prices of the Company's Common Stock.

NOTE G--CAPITAL STOCK

Holders of Class B Common Stock have the right to twenty votes per share on matters that are submitted to Shareholders for approval and to dividends in an amount not greater than dividends declared and paid on Common Stock. Class B Common Stock is restricted as to transferability; however, the Class B Common Stock may be converted into Common Stock on a one share for one share basis. The Company's Charter authorizes 200,000,000 shares of Class C Common Stock, $3 par value per share, and 16,000,000 shares of Preferred Stock. No shares of Class C Common Stock or Preferred Stock have been issued. Also see Note (B)

NOTE H--INCOME TAXES

In 1993, the Company adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," which requires the liability method of accounting for income taxes. The Company restated financial statements for periods subsequent to December 26, 1986, to reflect application of the new method. The effect of the change was to decrease income from continuing operations and net income for 1992 by approximately $200,000 ($.03 per share) and increase the loss from continuing operations and net loss for 1991 by approximately $200,000 ($.02 per share).

The provision (benefit) for income tax on income (loss) from continuing operations consist of the following:

	1993		1992		1991	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	$ 21,000	$3,490,000	$1,209,000	$1,879,953	$492,000	$(11,501,838)
State	547,000	278,000	248,000	143,235	205,000	(1,051,597)
	$ 568,000	$3,768,000	$1,457,000	$2,023,188	$697,000	$(12,553,435)

Deferred income taxes reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. Significant components of the Company's deferred tax liabilities and assets are as follows:

Deferred Tax Liabilities	1993	1992
Property, plant and equipment	$52,792,000	$41,419,000
Inventories	8,634,000	7,018,000
Other	404,000	1,235,000
Total deferred tax liabilities	61,830,000	49,672,000

Deferred Tax Assets		
Post-retirement benefits	4,073,000	95,000
Other employee benefits	3,925,000	3,169,000
Alternative minimum tax	3,361,000	1,871,000
Allowances for bad debts, claims and discounts	2,727,000	1,983,000
Restructuring	730,000	5,765,000
Other	1,737,000	810,000
Valuation reserve	---	---
Total deferred tax assets	16,553,000	13,693,000
Net deferred tax liabilities	$45,277,000	$35,979,000

Differences between the provision (benefit) for income taxes and the amount computed by applying the statutory federal income tax rate to income (loss) from continuing operations are reconciled as follows:

	1993	1992	1991
Statutory rate applied to income (loss) from continuing operations	$3,157,000	$ 3,042,000	$(12,721,000)
Plus state income taxes net of federal tax provision (benefit)	536,000	258,000	(559,000)
	3,693,000	3,300,000	$(13,280,000)
Increase(decrease) attributable to:			
Non deductible amortization of intangible assets resulting from business combinations	559,000	423,000	423,000
(Gain) loss accounted for on equity method	(96,000)	(153,000)	1,457,000
Effect of Federal tax rate increase on deferred income taxes	500,000	---	---
Other items	(320,000)	(89,812)	(456,435)
	643,000	180,188	1,423,565
Total tax provision (benefit)	$4,336,000	$3,480,188	$(11,856,435)

Income tax payments, net of tax refunds received, in 1993, 1992, and 1991 were approximately $2,079,000, $1,024,000, and $5,066,000, respectively.

NOTE I--RESTRUCTURING AND PLANT CLOSING COSTS

In the fourth quarter of 1991, the Company developed and began implementation of a plan to restructure the Company's manufacturing facilities and support services areas and accrued associated costs of $28,276,000 ($18,271,000 or $2.08 per share after taxes). The plan included, among other things, production and machinery consolidations into fewer facilities, information systems conversions and personnel reductions.

As of the end of 1993, the restructuring was substantially complete. Total costs incurred through 1993 consisted of approximately $13,533,000 to write-down certain assets to estimated fair market value, approximately $3,156,000 for severance payments, and approximately $11,100,000 for other direct costs, including product consolidations, equipment relocation, systems conversions, and other related expenses.

NOTE J--STOCK PLANS

The Company's 1990 Incentive Stock Plan reserves 770,000 shares of Common Stock for sale or award to key associates under stock options, stock appreciation rights, restricted stock performance grants, or other awards. Outstanding options are exercisable at a cumulative rate of 25% to 33 1/3% per year after the second year from the date the options are granted. Options outstanding were granted at prices at or above market price on the date of grant and include grants under the 1983 Incentive Stock Plan, under which no further options may be granted. At December 25, 1993, options to purchase 126,662 shares were exercisable under these plans.

A summary of the option activity under the 1990 and 1983 Incentive Stock Plans is as follows:

	Number of Shares	Option Price Per Share
Outstanding at December 29, 1990	423,874	$ 4.58 - $33.83
Granted	35,000	13.00 - 13.50
Exercised	(19,650)	4.58 - 6.42
Cancelled	(56,600)	5.83 - 14.00
Outstanding at December 28, 1991	382,624	4.58 - 33.83
Granted	254,000	10.75 - 11.00
Exercised	(27,800)	4.58 - 5.83
Cancelled	(68,412)	10.75 - 33.83
Outstanding at December 26, 1992	540,412	5.83 - 30.75
Granted	197,000	12.50 - 15.25
Exercised	(22,100)	5.83
Cancelled	(87,400)	10.75 - 30.75
Outstanding at December 25, 1993	627,912	$10.75 - $30.75

The Company also has a stock purchase plan which authorizes 108,000 shares of Common Stock for purchase by supervisory associates at the market price prevailing at the time of purchase. At December 25, 1993, 65,940 shares remained available for issue. Shares sold under this plan are held in escrow until paid for and are subject to repurchase agreements which give the Company the right of first refusal at the prevailing market price. Numbers of shares sold under the plan were 12,700 in 1993, 1,800 in 1992, and 3,300 in 1991.

The Company issued options for the purchase of 83,044 shares of Common Stock, which were immediately exercisable at prices ranging from $3.19 - $5.27 per share, in connection with the acquisition of Carriage. During 1993, options for 10,699 shares were exercised at prices ranging from $3.43 - $4.29 per share. At December 25, 1993, options for 72,345 shares at prices ranging from $3.19 - $5.27 per share remain exercisable.

NOTE K--PENSION PLANS

The Company has defined benefit and defined contribution pension plans which cover essentially all associates. Benefits for associates participating in the defined benefit plans are based on years of service and compensation during the period of participation. Plan assets consist primarily of cash equivalents and publicly traded stocks and bonds. The Company's practice is to fund defined benefit plans in accordance with minimum requirements of the Employee Retirement Income Security Act of 1974. Contributions and costs of the defined contribution plans are based on several factors including a percentage of each participant's compensation, the operating performance of the Company, and matching of participant contributions by the Company.

Participants in the Company's largest defined benefit plan became eligible participants in a newly established 401(k) defined contribution plan effective in 1994. All accrued benefits under the defined benefit plan became fully vested and were frozen as of December 24, 1993. A portion of the liability of the defined benefit plan was settled through lump sum payments to electing associates. Losses incurred as a result of these settlements and the curtailment described above totaled $768,680 and $358,626 during 1993 and 1992, respectively. Settlement losses of $196,580 included in the 1993 amount were a direct result of the Company's restructuring plan and were charged to the restructuring reserve established in 1991.

The net periodic pension cost included the following components:

	1993	1992	1991
Defined benefit plans:			
Service cost	$ 1,315,353	$ 1,446,829	$ 1,522,052
Interest cost	1,625,217	1,841,940	2,000,193
Actual return on plan assets	(1,326,794)	(1,227,989)	(5,022,036)
Other Components	153,850	(1,056,697)	2,777,701
	1,767,626	1,004,083	1,277,910
Defined contribution plans	410,559	---	---
Net periodic pension expense	$ 2,178,185	$ 1,004,083	$ 1,277,910

The following table sets forth the funded status of the Company's defined benefit retirement plans and related amounts included in the Company's consolidated balance sheets:

	1993	1992
Actuarial present value of benefit obligations:		
Vested benefits	$24,092,792	$14,753,954
Nonvested benefits	1,336	1,284,875
Accumulated benefit obligations	$24,094,128	$16,038,829
Plan assets at fair value	$16,138,289	$18,540,107
Projected benefit obligation	(24,094,128)	(17,902,255)
Projected benefit obligation (in excess of) or less than plan assets	(7,955,839)	637,852
Unrecognized net loss	8,764,390	2,918,403
Remaining unrecognized net transition asset	(462,761)	(995,762)
Adjustment to recognize minimum liability	(8,301,629)	---
Pension related (liability) asset included in the consolidated balance sheets	$(7,955,839)	$ 2,560,493

In accordance with the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company has recorded an additional minimum liability at December 25, 1993 representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension costs. This additional liability reduced stockholders' equity by $4,981,943 (net of income tax benefit of $3,319,686). The increased liability in 1993 results primarily from decreasing the assumed discount rate used in determining the projected benefit obligation from 8.5% to 7.13%.

The weighted average discount rate used in determining the projected benefit obligation was 7.13% for 1993, 8.5% for 1992, and 9% for 1991. There was no increase in future compensation levels assumed for 1993 (due to the freezing of benefits), and a 4% and 5% rate of increase was used for 1992 and 1991, respectively. The assumed long-term rate of return on plan assets was 8.5% for 1993 and 1992, and 9% for 1991.

NOTE L--POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company and one of its subsidiaries provided medical, dental and life insurance coverage for retirees under postretirement benefit plans.

The parent company provides medical and dental benefits until age 65 to early retirees who have met specified age and service requirements. It pays a portion of these costs for participants who retired prior to 1992 and also pays a portion of the life insurance premiums for a certain group of retirees. No new retirees may become eligible for the life insurance benefits. For measurement purposes, a 12% annual rate of increase in the per capita claims cost for the medical and dental plans was used for 1993, 1992, and 1991. The discount rate used to determine the accumulated postretirement benefit obligations was 7.5% for 1993, 8.5% for 1992, and 9% for 1991. During 1993, the Company settled a portion of its postretirement benefit obligation under the life insurance plan through the payment of lump-sum distributions made to beneficiaries of insured participants. Losses incurred as a result of these settlements totaled $73,049.

A subsidiary also provides medical, dental and life insurance plans for all retired associates who have completed required service and age requirements. The subsidiary pays the full cost of these benefits for associates who retired prior to June 1992. Eligible retirees after this date pay a portion of these benefits at the equivalent rates under COBRA. The weighted-average annual assumed rates of increase in the per capita cost of covered medical and dental benefits is 15% and 12% in 1993 for pre-65 and post-65 benefits, respectively, gradually declining to 6% in 2005, and remaining at that level thereafter. The accumulated postretirement benefit obligations were determined using an 8% weighted average discount rate.

The components of net periodic postretirement benefit cost are as follows:

	1993		1992		1991	
	Medical and Dental Plans	Life Insurance Plans	Medical and Dental Plans	Life Insurance Plans	Medical and Dental Plans	Life Insurance Plans
Interest cost	$107,295	$102,863	$103,719	$63,318	$112,076	$80,964
Service cost	17,766	1,641	---	---	---	---
Amortization of net loss	---	8,942	---	---	---	---
Settlement losses	---	73,049	---	---	---	---
Net periodic postretirement benefit cost	$125,061	$186,495	$103,719	$63,318	$112,076	$80,964

The following table sets forth the funded status of the Company's defined benefit retirement plans and related amounts included in the Company's consolidated balance sheets:

	1993		1992	
	Medical Plans	Life Insurance Plans	Medical Plans	Life Insurance Plans
Accumulated postretirement benefit obligations:				
Retirees	$(1,564,521)	$(1,400,126)	$(865,400)	$(1,141,876)
Active participants	(476,711)	(69,941)	---	---
	(2,041,232)	(1,470,067)	(865,400)	(1,141,876)
Plan assets	---	---	---	---
Accumulated postretirement benefit obligation in excess of plan assets	(2,041,232)	(1,470,067)	(865,400)	(1,141,876)
Unrecognized net actuarial loss due to past				

experience different from assumptions made	151,957	431,861	---	318,645
Accrued postretirement benefit liability included in the consolidated balance sheet	$(1,889,275)	$(1,038,206)	$(865,400)	$ (823,231)

The assumed rate used to measure the per capita claims cost can have a significant effect on the amounts reported. Increasing the assumed rate by one percentage point in each year would increase the accumulated postretirement benefit obligation and net periodic postretirement benefit cost by approximately $170,000 and $14,000, respectively.

NOTE M --STORM AND FIRE DAMAGE

On March 13, 1993, a severe winter storm substantially damaged Carriage's manufacturing facilities, including machinery. On August 4, 1993, a fire destroyed Carriage's Bretlin needlebond facility. Both losses were covered by insurance and the total insurance benefits recognized during 1993 were $33,500,000, including approximately $5,400,000 accrued as a receivable. The Company spent approximately $17,900,000 in 1993 to replace and repair capital assets which had been destroyed or damaged. Insurance proceeds in excess of the net book value of destroyed assets and the repair costs of damaged assets were approximately $13,400,000 and are reflected in the financial statements as other income ($1,800,000) and a reduction to cost of sales ($11,600,000) to offset extra expenses and losses incurred as a result of the storm and fire. The insurance claims have not been concluded.

NOTE N--COMMITMENTS

The Company had outstanding commitments for purchases of machinery and equipment of approximately $11,686,000 at December 25, 1993.

NOTE O --INDUSTRY SEGMENT INFORMATION

The Company operates in two industry segments: textile products and floorcovering. Textile products include yarns, industrial sewing threads and knit fabrics. Floorcovering includes carpet for manufactured housing, recreational vehicles, high-end residential and commercial markets, rugs and yarns. Prior to the acquisitions of Carriage and Masland in 1993, the Company's single line of business, textile products, included the Company's Candlewick sales yarn operations serving the broadloom and rug manufacturing markets. With the expansion into production and sales of finished floorcovering products through the Carriage and Masland acquisitions, the operations of Candlewick are now included in the floorcovering segment. Accordingly, a restatement of the Company's financial information, by segment, is reflected for the periods presented in the consolidated financial statements.

(dollar amounts in thousands)

	Net Sales			Operating Profit(Loss)(1)		
	1993	1992	1991	1993	1992	1991
Business Segments						
Textile products	$332,059	$347,802	$370,825	$ 1,629	$15,352	$(14,631)
Floorcovering	263,899	123,107	122,273	24,424	7,913	1,416
Intersegment elimination	(1,357)	(1,077)	(1,146)	---	---	---
Total	$594,601	$469,832	$491,952	26,053	23,265	(13,215)
Interest expense				12,773	10,824	12,180
Corporate expenses				5,159	5,600	11,448
Other income (expense)-net(1)				899	2,107	(571)
Income (loss) before income taxes				$ 9,020	$ 8,948	$(37,414)

	Identifiable Assets at Year End			Capital Expenditures		
	1993	1992	1991	1993	1992	1991
Business Segments						
Textile products	$306,076	$310,594	$311,039	$27,504	$24,072	$34,109
Floorcovering	181,663	73,973	47,332	10,316	1,854	3,475
Corporate	8,840	12,513	14,436	1,005	398	722
Total	$496,579	$397,080	$372,807	$38,825	$26,324	$38,306

	Depreciation and Amortization		
	1993	1992	1991
Business Segments			
Textile products	$20,531	$19,851	$18,109
Floorcovering	8,051	3,189	3,312
Corporate	663	673	1,426
Total	$29,245	$23,713	$22,847

(1) Net gains (losses) included in operating profit (loss) on a segment basis but classified in "other income (expense) - net" in the Company's Consolidated Statements of Income (Loss) are as follows: 1993 - $1,741; 1992 - $(1,851); 1991-$(920). Operating loss for 1991 includes restructuring costs as follows: Textile products - $23,306; Floorcovering - $ 1,222; Corporate - $3,748.

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

DIXIE YARNS, INC. AND SUBSIDIARIES

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CLASSIFICATION	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-Add (Deduct)-Describe	Balance at End of Period
Year ended December 25, 1993:					
Land and improvements	9,754,481	3,559,478 (2)	967,598	-0-	12,346,361
Buildings and improvements	81,597,789	33,438,645 (2)	9,828,502	(9,134)	105,198,798
Machinery and equipment	286,908,460	79,076,551 (2)	19,654,214	4,420,218 (4)	350,751,015
TOTALS	$378,260,730	$116,074,674	$30,450,314	$4,411,084	$468,296,174
Year ended December 26, 1992:					

Land and improvements	9,371,375	655,364	62,925	(209,333)	(4)	9,754,481
Buildings and improvements	79,830,875	904,339	15,862	878,437	(4)	81,597,789
Machinery and equipment	265,521,942	24,764,613 (3)	5,419,298	2,041,203	(4)	286,908,460
TOTALS	$354,724,192	$26,324,316	$5,498,085	$ 2,710,307		$378,260,730
Year ended December 28, 1991:						
Land and improvements	9,364,729	320,035	313,389	-0-		9,371,375
Buildings and improvements	78,594,047	1,974,175	737,347	-0-		79,830,875
Machinery and equipment	255,441,550	36,011,814 (3)	7,794,545	(18,136,877)	(5)	265,521,942
TOTALS	$343,400,326	$38,306,024	$8,845,281	$(18,136,877)		$354,724,192

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

DIXIE YARNS, INC. AND SUBSIDIARIES
CONTINUED

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CLASSIFICATION	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-Add (Deduct)-Describe	Balance at End of Period

(1) Certain amounts previously reported have been restated to reflect adoption of SFAS No. 109, "Accounting for Income Taxes." See Note (H) to the Consolidated Financial Statements.
(2) In addition to machinery and equipment replacements and improvements, includes assets acquired in connection with business combinations. See Note (B) to the Consolidated Financial Statements. Also includes $12.1 million expended to replace storm/fire damaged assets. See Note (M) to the Consolidated Financial Statements.

(3) Machinery and equipment replacements and improvements.

(4) Represents reclassification of previous writedown and net book value of assets traded.

(5) Represents writedown of assets to net realizable value.

Depreciable lives in effect for the principal classes of property are generally as follows:

	Acquired after 1980	Acquired before 1981
Land improvements	10 to 20 years	20 years
Buildings and improvements	20 to 30 years	10 to 45 years
Machinery and equipment	3 to 12 years	3 to 9 years

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT

DIXIE YARNS, INC. AND SUBSIDIARIES

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CLASSIFICATION	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes-Add (Deduct)-Describe	Balance at End of Period
Year ended December 25, 1993:					
Land and improvements	1,588,558	149,399	(200,450)	-0-	1,537,507
Buildings and improvements	22,874,336	2,779,738	(1,204,918)	4,611	24,453,767
Machinery and equipment	156,003,757	26,316,230	(15,087,537)	(186,017)	167,046,433
TOTALS	$180,466,651	$29,245,367	$(16,492,905)	$(181,406)	$193,037,707
Year ended December 26, 1992:					
Land and improvements	1,435,281	153,100	-0-	177	1,588,558

Buildings and improvements	20,391,522	2,487,749	4,759	(176)	22,874,336
Machinery and equipment	139,990,311	21,072,104	5,058,611	(47)	156,003,757
TOTALS	$161,817,114	$23,712,953	$5,063,370	$ (46)	$180,466,651
Year ended December 28, 1991:					
Land and improvements	1,286,920	149,761	1,400	-0-	1,435,281
Buildings and improvements	18,107,364	2,426,897	142,739	-0-	20,391,522
Machinery and equipment	124,678,643	20,270,649	4,958,981	-0-	139,990,311
TOTALS	$144,072,927	$22,847,307	$5,103,120	$ -0-	$161,817,114

Certain amounts previously reported have been restated to reflect adoption of SFAS No. 109, "Accounting for Income Taxes." See Note (H) to the Consolidated Financial Statements.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

DIXIE YARNS, INC. AND SUBSIDIARIES

COL. A	COL. B	COL. C ADDITIONS		COL. D	COL. E
DESCRIPTION	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts -Describe	Deductions- Describe	Balance at End of Period
Year ended December 25, 1993:					
Reserves deducted from asset accounts:					
Allowance for doubtful accounts	$4,200,000	$ -0-	$1,494,483 (1)	$1,794,483 (2)	$3,900,000
Provision to reduce inventories to net realizable value	4,230,000	-0-	5,410,780 (1)	2,303,851 (3)	7,336,929
Year ended December 26, 1992:					
Reserves deducted from asset accounts:					
Allowance for doubtful accounts	$4,086,000	$ 422,488	$ -0-	$ 308,488 (2)	$4,200,000
Provision to reduce inventories to net realizable value	5,976,000	-0-	-0-	1,746,000 (3)	4,230,000
Year ended December 28, 1991:					
Reserves deducted from asset accounts:					
Allowance for doubtful accounts	$3,032,000	$2,043,984	$ -0-	$ 989,984 (2)	$4,086,000
Provision to reduce inventories to net realizable value	2,293,609	3,682,391 (3)	-0-	-0-	5,976,000

(1) Increase in reserves in connection with business combinations. See Note (B) to the Consolidated Financial Statements.

(2) Uncollectible accounts written off, net of recoveries, and for 1993, reductions credited to costs and expenses.

(3) Provision for current items net of reductions for previous items.

SCHEDULE X-SUPPLEMENTARY INCOME STATEMENT INFORMATION

DIXIE YARNS, INC. AND SUBSIDIARIES

COL. A ITEM	COL. B Charged to Costs and Expenses		
	Year Ended		
	December 25, 1993	December 26, 1992	December 28, 1991
Maintenance and repairs	$27,010,840	$23,209,089	$24,945,876

Amounts for depreciation and amortization of intangible assets, preoperating costs and similar deferrals; taxes, other than payroll and income taxes; royalties and advertising costs are not presented as such amounts are less than 1% of total sales and revenues.

ANNUAL REPORT ON FORM 10-K

ITEM 14 (c)

EXHIBITS

YEAR ENDED DECEMBER 25, 1993

DIXIE YARNS, INC.

CHATTANOOGA, TENNESSEE

Exhibit Index

EXHIBIT NO.	EXHIBIT DESCRIPTION	INCORPORATION BY REFERENCE
(3a)	Restated Charter of Dixie Yarns, Inc.	Incorporated by reference to Exhibit (3a) to Dixie's Annual Report on Form 10-K for the year ended December 30, 1989.*
(3b)	Amended and Restated By-Laws of Dixie Yarns, Inc.	Incorporated by reference to Exhibits (3b) and (3c) to Dixie's Annual Report on Form 10-K for the year ended December 29, 1990.*
(4a)	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated January 31, 1992, by and among Dixie Yarns, Inc. and Trust Company Bank, NationsBank of North Carolina, N.A. and Chemical Bank.	Incorporated by reference to Exhibit (4a) to Dixie's Annual Report on Form 10-K for the year ended December 28, 1991.*
(4b)	Loan Agreement, dated	Incorporated by reference to

	February 6, 1990 between Dixie Yarns, Inc. and New York Life Insurance Company and New York Life Annuity Corporation.	Exhibit (4d) to Dixie's Annual Report on Form 10-K for the year ended December 30, 1989.*
(4c)	Form of Indenture, dated May 15, 1987 between Dixie Yarns, Inc. and Morgan Guaranty Trust Company of New York as Trustee.	Incorporated by reference to Exhibit 4.2 to Amendment No. 1 of Dixie's Registration Statement No. 33-140 78 on Form S-3, dated May 19, 1987.

* Commission File No. 0-2585

Exhibit Index - Continued

EXHIBIT NO.	EXHIBIT DESCRIPTION	INCORPORATION BY REFERENCE
(4d)	Revolving Credit Loan Agreement dated as of September 16, 1991 by and among Ti-Caro, Inc. and Trust Company Bank, individually and as agent, NCNB National Bank, and Chemical Bank.	Incorporated by reference to Exhibit (4d) to Dixie's Annual Report on Form 10-K for the year ended December 28, 1991.*
(4e)	First Amendment to Revolving Credit Loan Agreement dated as of August 19, 1992 by and among Ti-Caro, Inc., T-C Threads, Inc. and Trust Company Bank, individually and as agent, NCNB National Bank, and Chemical Bank.	Incorporated by reference to Exhibit 4(e) to Dixie's Annual Report on form 10-K for the year ended December 26, 1992.*
(4f)	First Amendment, dated August 25, 1993 to Second Amended and Restated Revolving Credit and Term Loan Agreement dated January 31, 1992, by and among Dixie Yarns, Inc. and Trust Company Bank, NationsBank of North Carolina, N.A. and Chemical Bank.	Filed herewith
(10a)	Dixie Yarns, Inc. 1983 Incentive Stock Option Plan.	Incorporated by reference to Exhibit (10c) to Dixie's Annual Report on Form 10-K for the year ended December 28, 1985.*
(10b)	Dixie Yarns, Inc. Incentive Stock Plan.	Incorporated by reference to Exhibit (10) to Dixie's Quarterly Report on Form 10-Q for the quarter ended March 31, 1990.*
(10c)	Dixie Yarns, Inc. Nonqualified Defined Contribution Plan.	Incorporated by reference to Exhibit (10c) to Dixie's Annual Report on form 10-K for the year ended December 26, 1992.*

(10d)	Dixie Yarns, Inc. Nonqualified Employee Savings Plan.	Incorporated by reference to Exhibit (10d) to Dixie's Annual Report on form 10-K for the year ended December 26, 1992.*

* Commission File No. 0-2585

Exhibit Index - Continued

EXHIBIT NO.	EXHIBIT DESCRIPTION	INCORPORATION BY REFERENCE
(10e)	Dixie Yarns, Inc. Incentive Compensation Plan.	Incorporated by reference to Exhibit (10e) to Dixie's Annual Report on form 10-K for the year ended December 26, 1992.*
(10f)	Asset Transfer and Restructuring Agreement dated July 9, 1993, by and among Dixie Yarns, Inc., Masland Carpets, Inc., individual management investors of Masland Carpets, Inc., The Prudential Insurance Company of America and Pruco Life Insurance Company.	Incorporated by reference to Exhibit (2a) to Dixie's Current Report on Form 8-K dated July 9, 1993.*
(10g)	Assignment and Bill of Sale dated July 9, 1993, by and between Dixie Yarns, Inc. and Masland Carpets, Inc.	Incorporated by reference to Exhibit (2b) to Dixie's Current Report on Form 8-K dated July 9, 1993.*
(10h)	Assignment and Assumption Agreement dated July 9, 1993, by and between Dixie Yarns, Inc. and Masland Carpets, Inc.	Incorporated by reference to Exhibit (2c) to Dixie's Current Report on Form 8-K dated July 9, 1993.*
(10i)	Stock Rights and Restrictions Agreement dated July 9, 1993, by and among Dixie Yarns, Inc., Masland Carpets, Inc., The Prudential Insurance Company of America and Pruco Life Insurance Company.	Incorporated by reference to Exhibit (2d) to Dixie's Current Report on Form 8-K dated July 9, 1993.*
(10j)	Pooling and Servicing Agreement dated as of October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and NationsBank of Virginia, N.A. (as Trustee).	Incorporated by reference to Exhibit (2a) to Dixie's Current Report on Form 8-K dated October 15, 1993.*

* Commission File No. 0-2585

Exhibit Index - Continued

EXHIBIT NO.	EXHIBIT DESCRIPTION	INCORPORATION BY REFERENCE
(10k)	Annex X - Definitions, to Pooling and Servicing Agreement dated as of October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and NationsBank of Virginia, N.A. (as Trustee).	Incorporated by reference to Exhibit (2b) to Dixie's Current Report on Form 8-K dated October 15, 1993.*
(10l)	Series 1993-1 Supplement, dated as of October 15, 1993, to Pooling and Servicing Agreement dated as of October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and NationsBank of Virginia, N.A. (as Trustee).	Incorporated by reference to Exhibit (2c) to Dixie's Current Report on Form 8-K dated October 15, 1993.*
(10m)	Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and New York Life Insurance and Annuity Corporation.	Incorporated by reference to Exhibit (2d) to Dixie's Current Report on Form 8-K dated October 15, 1993.*
(10n)	Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and John Alden Life Insurance Company.	Incorporated by reference to Exhibit (2e) to Dixie's Current Report on Form 8-K dated October 15, 1993.*
(10o)	Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and John Alden Life Insurance Company of New York.	Incorporated by reference to Exhibit (2f) to Dixie's Current Report on Form 8-K dated October 15, 1993.*
(10p)	Certificate Purchase Agreement dated October 15, 1993, among Dixie Yarns, Inc., Dixie Funding, Inc. and Keyport Life Insurance Company.	Incorporated by reference to Exhibit (2g) to Dixie's Current Report on Form 8-K dated October 15, 1993.*

* Commission File No. 0-2585

Exhibit Index - Continued

EXHIBIT NO.	EXHIBIT DESCRIPTION	INCORPORATION BY REFERENCE
(10q)	Executive Severance Agreement dated as of September 8, 1988 as amended.	Incorporated by reference to Exhibit (19) to Dixie's Quarterly Report on Form 10-Q for the quarter ended March 27,1993.*

(11)	Statement re: Computation of Earnings Per Share.	Filed herewith.
(21)	Subsidiaries of the Registrant.	Filed herewith.
(23)	Consent of Ernst & Young.	Filed herewith.

*Commission File No. 0-2585

EXHIBIT 4(f)

FIRST AMENDMENT TO SECOND AMENDED AND RESTATED
REVOLVING CREDIT AND TERM LOAN AGREEMENT

THIS FIRST AMENDMENT to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of August 25, 1993 (the "First Amendment"), by and among DIXIE YARNS, INC. (the "Borrower"), a Tennessee corporation, TRUST COMPANY BANK, a Georgia banking corporation, NATIONSBANK OF NORTH CAROLINA, N.A. a national banking association, and CHEMICAL BANK, a New York banking corporation (collectively, the "Banks" and individually, a "Bank"), and TRUST COMPANY BANK, as agent for the Banks (in such capacity, the "Agent").

WITNESSETH:

WHEREAS, the Borrower, the Banks and the Agent are parties to a certain Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of January 31, 1992 (the "Agreement") pursuant to which the Banks agreed to lend and the Borrower agreed to borrow revolving credit loans and term loans in an aggregate principal amount not to exceed $125,000,000; and

WHEREAS, the Borrower has requested and the Banks have agreed to amend the Agreement to allow the Borrower to enter into a receivables securitization program substantially on the term outlined in the Term Sheet (the "Term Sheet") attached hereto as Exhibit "A" (the "Securitization Program") subject to the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the sum of $10.00 in hand paid by the Borrower to the Banks, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

I.

Section 1.01 of the Agreement is hereby amended as follows:

(a) The definition of "Funded Debt" is hereby amended by adding the following sentence thereto:

"Notwithstanding any provision of this Agreement to the contrary, Funded Debt shall include the face amount of all interests in the trust from time to time established pursuant to the Securitization Program which interests are owned by Persons other than Dixie Yarns, Inc. or Dixie Funding, Inc."

(b) The following definitions are hereby inserted in alphabetical order:

"FINANCIAL OFFICER" of any corporation shall mean the chief or principal financial officer, principal accounting officer, treasurer or controller of such corporation.

"SECRUITIZATION DOCUMENTS" shall mean all documents from time to time executed in connection with the Securitization Program, including without limitation that certain Pooling and Servicing Agreement among Dixie Funding, Inc. as transferor, Dixie Yarns, Inc. as servicer and NationsBank of Virginia, N.A., as Trustee for the Certificateholders as such document is originally executed or as thereafter amended, modified or supplemented.

"SECURITIZATION PROGRAM" shall mean that certain accounts receivable purchase program established by the Borrower and its wholly-owned subsidiary, Dixie Funding, Inc., for the sale of the accounts receivable of the Borrower and certain of its Subsidiaries to Dixie Funding, Inc. for further transfer to a trust or series of trusts in return for certain interests in such trust or trusts with such interests in an aggregate amount not to exceed $60,000,000 to be sold to certain third party investors with all other interests in such trust or trusts to be retained by Dixie Funding, Inc. or Dixie Yarns, Inc.

II.

Section 5.10 of the Agreement is hereby amended by deleting all references therein to the "chief financial officer" of the Borrower and substituting in lieu thereof references to the "Financial Officer".

III.

Subsection 6.01(m) of the Agreement is hereby deleted in its entirety and the following subsections (m) and (n) substituted in lieu thereof:

"(m) Liens on accounts receivable securing the obligations of the Borrower and its Subsidiaries pursuant to the Securitization Program; PROVIDED THAT, the obligations secured by such Liens held by third-party investors does not exceed $60,000,000 in the aggregate; plus

"(n) extensions, renewals or replacements of any Lien referred to in clauses (a) through (m) of this Section 6.01, provided that the principal amount of the Debt or obligations secured thereby is not increased and that any such extension, renewal or replacement is limited to the property originally encumbered by the Lien."

IV.

Subsection 6.02(g) of the Agreement is hereby deleted in its entirety and substituting of the following subsections (g), (h) and (i) in lieu thereof:

"(g) the Threads Loan and the guarantee thereof by Ti-Caro, Inc.; plus

(h) Debt from Dixie Funding, Inc. to the Borrower in the form of a revolving note and subordinated notes issued in payment for the transfer of receivables pursuant to the terms of the Securitization Program; plus

(i) Debt from Carriage Industries, Inc. to the Borrower in the form of Intercompany Advances in an aggregate principal amount not to exceed $32,000,000 at any one time outstanding."

V.

Section 6.03 of the Agreement is hereby amended as follows:

(a) Subsection 6.03(a) of the Agreement is hereby deleted in its entirety and the following subsection (a) substituted in lieu thereof:

"(a) make or permit to remain outstanding Intercompany Advances permitted by Section 6.02(a), (b), (h) and (i) and Intercompany Advances from a Subsidiary to Borrower; plus"

(b) Subsection 6.03(m) of the Agreement is hereby deleted in its entirety and the following subsections (m) and (n) substituted in lieu thereof:

"(m) each of the Borrower and Ti-Caro, Inc. may permit to remain outstanding in favor of the Banks, its respective guarantee of the Threads Loan; plus

(n) the Borrower may make initial investments in Dixie Funding, Inc. in order to establish Dixie Funding, Inc. as a wholly-owned Subsidiary and Dixie Funding, Inc. may transfer accounts receivable acquired by it, directly or indirectly, from the Borrower and certain Subsidiaries to a trust or series of trusts in return for certain certificates of ownership interests in such trust or trusts pursuant to the terms of the Securitization Program."

VI.

Section 6.04(e) of the Agreement is hereby deleted in its entirety and the following subsections (e) and (f) substituted in lieu thereof:

(e) In addition to exchanges permitted pursuant to Section 6.03(1) hereof, Borrower and its Subsidiaries may, in any one fiscal year, sell at then current market value, assets (including stock of a Subsidiary) (i) having a book value less than twenty-five percent (25%) of the Net Tangible Assets as of the end of the most recent preceding fiscal quarter, and (ii) which contributed less than twenty-five percent (25%) of Net Income Before Interest and Taxes of Borrower for the immediately preceding four fiscal quarters; PROVIDED, HOWEVER, following any sale of the stock of a Subsidiary which results in a minority interest in such former Subsidiary, any resulting investment in such former Subsidiary must be permitted pursuant to Section 6.03(i) hereof; plus

(f) The Borrower may sell its accounts receivable and accounts receivable purchased from other Subsidiaries to Dixie Funding, Inc. and Dixie Funding, Inc. may transfer such accounts receivable to a trust or series of trusts in return for cash and certain ownership interests in such trust or trusts pursuant to the terms of the Securitization Program."

VII.

Section 6.08 of the Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

"SECTION 6.08. SALE OR DISCOUNT OF RECEIVABLES. Except for the Securitization Program and maturity factoring arrangements contemplated by Section 6.01(i) hereof, sell or permit any Subsidiary to sell with recourse or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable."

VIII.

The Agreement is amended by adding the following Section 6.12:

"SECTION 6.12. AMENDMENT OF SECURITIZATION DOCUMENTS. Except as otherwise provided in Section 7.01(e) hereof, shall not amend, modify or waive and material provision of the Securitization Documents as in effect on the date hereof or the definition of "Termination Event" without the prior written consent of the Required Banks."

IX.

This First Amendment shall not be effective unless and until each of the following conditions has been satisfied: (i) the receipt by the Agent of a fully executed counterpart of this First Amendment; (ii) the execution of the Securitization Documents and establishment of the Securitization Program in accordance with the terms of the Term Sheet and otherwise on terms and conditions acceptable to the Banks; and (iii) evidence satisfactory to the Banks that the proceeds of the initial sale of the Investor Certificates (as such term is defined in the Securitization Documents) has been or will be used to repay the indebtedness of Carriage Industries, Inc. listed on Exhibit "B".

X.

Upon and after the effective date of this Fist Amendment, all references to the Agreement shall mean the Agreement as amended by this First Amendment. Except as expressly provided in this First Amendment, the execution and delivery of this First Amendment does not and will not amend, modify or supplement any provision of or constitute a consent to a waiver of noncompliance with the provisions of the Agreement, and except as specifically provided in this First Amendment, the Agreement shall remain in full force and effect.

XI.

All the representations and warranties set forth in Article IV of the Agreement are true and correct as if made on the date hereof except for matters occurring since the date of the Agreement not reflected in the schedules; all of such matters have been reported to the Banks if required by Article V of the Agreement and do not otherwise violate the terms of the Agreement. No Default or Event of Default exists under the Agreement as of the date hereof.

XII.

This First Amendment shall be binding on, and shall inure to the benefit of the parties hereto and their respective successors and assigns.

XIII.

This First Amendment shall be governed by, and construed in accordance with, the laws of the State of Georgia.

XIV.

This First Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

XV.

This First Amendment constitutes the entire understanding of the parties with respect to the subject matter hereof, and any other prior or contemporaneous agreements, whether written or oral, with respect thereto are expressly superseded hereby.

IN WITNESS WHEREOF the parties hereto have caused this First Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

DIXIE YARNS, INC.

TRUST COMPANY BANK, individually and as Agent

NATIONSBANK OF NORTH CAROLINA, N.A.

CHEMICAL BANK

EXHIBIT 11

STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE

DIXIE YARNS, INC. AND SUBSIDIARIES

	December 25, 1993	Year End December 26, 1992	December 28, 1991
PRIMARY:			
Net income (loss)	$ 4,684,359	$5,467,421	$(26,602,704)
SHARES:			
Weighted average number of Common Shares outstanding assuming conversion of Class B Common Stock	11,192,720	8,727,231	8,768,200
Net effect of dilutive stock options based on the treasury stock method using average market price	65,836	28,805	29,108
Net effect of put option based on the reverse treasury stock method using average market price	202,875	---	---
TOTAL SHARES	11,461,431	8,756,036	8,797,308
PER SHARE AMOUNT	$ .41	$ .62	$ (3.02)
FULLY-DILUTED:			
Net income (loss)	$ 4,684,359	$5,467,421	$(26,602,704)
After-tax interest requirement of convertible subordinated debentures(A)	---	---	---
ADJUSTED NET INCOME(LOSS)	$ 4,684,359	$5,467,421	$(26,602,704)
SHARES:			
Weighted average number of Common Shares outstanding assuming conversion of Class B Common Stock	11,192,720	8,727,231	8,768,200
Net effect of dilutive stock options based on the treasury stock method using year-end market price if higher than the average market price	66,084	44,492	28,661
Net effect of put option based on the reverse treasury stock method using year end market price if lower than the average market price	401,259	---	---
Effect of assumed conversion of dilutive convertible subordinated debentures(A)	---	---	---
TOTAL SHARES	11,660,063	8,771,723	8,796,861
PER SHARE AMOUNT	$ .40	$ .62	$ (3.02)

A) The assumed conversion of convertible subordinated debentures into 1,390,745 shares with an after-tax interest requirement of $1,894,739 for the year ended December 25, 1993, into 1,390,745 shares with an after-tax interest requirement of $1,923,739 for the year ended December 26, 1992, and into 1,397,450 shares with an after-tax interest requirement of $1,933,852 for the year ended December 28, 1991, has been excluded from the computation since the effect was anti-dilutive.

EXHIBIT 21
SUBSIDIARIES OF THE REGISTRANT

DIXIE SUBSIDIARY STOCK SUMMARY
DIXIE YARNS, INC. SUBSIDIARIES

SUBSIDIARY	STATE/COUNTRY OF INCORPORATION
Dixie Exports, Inc.	USVI
Carriage Industries, Inc.	Georgia
Masland Carpets, Inc.	Alabama
Candlewick - Ringgold, Inc.	Tennessee
Candlewick - Lemoore, Inc.	Tennessee
Candlewick - Roanoke/Tennessee, Inc.	Tennessee
Dixie Funding, Inc.	Tennessee
T-C Threads, Inc.	Tennessee
Threads of Puerto Rico, Inc.	North Carolina

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-30473) pertaining to the Employee Stock Purchase Plan of Dixie Yarns, Inc., the Registration Statement (Form S-8 No. 33-59564), the Registration Statement (Form S-8 No. 33-42615) pertaining to the Incentive Stock Option Plan of Dixie Yarns, Inc., and Post-Effective Amendment Number 2 to the Registration Statements (Form S-8 No. 2-20604 and No. 2-56744) pertaining to the Employee Stock Purchase Plan and Employee Stock Option Plan of Dixie Yarns, Inc. of our report dated February 17, 1994, with respect to the consolidated financial statements and schedules of Dixie Yarns, Inc. included in the Annual Report (Form 10-K) for the year ended December 25, 1993.

ERNST & YOUNG

Chattanooga, Tennessee
March 25, 1994