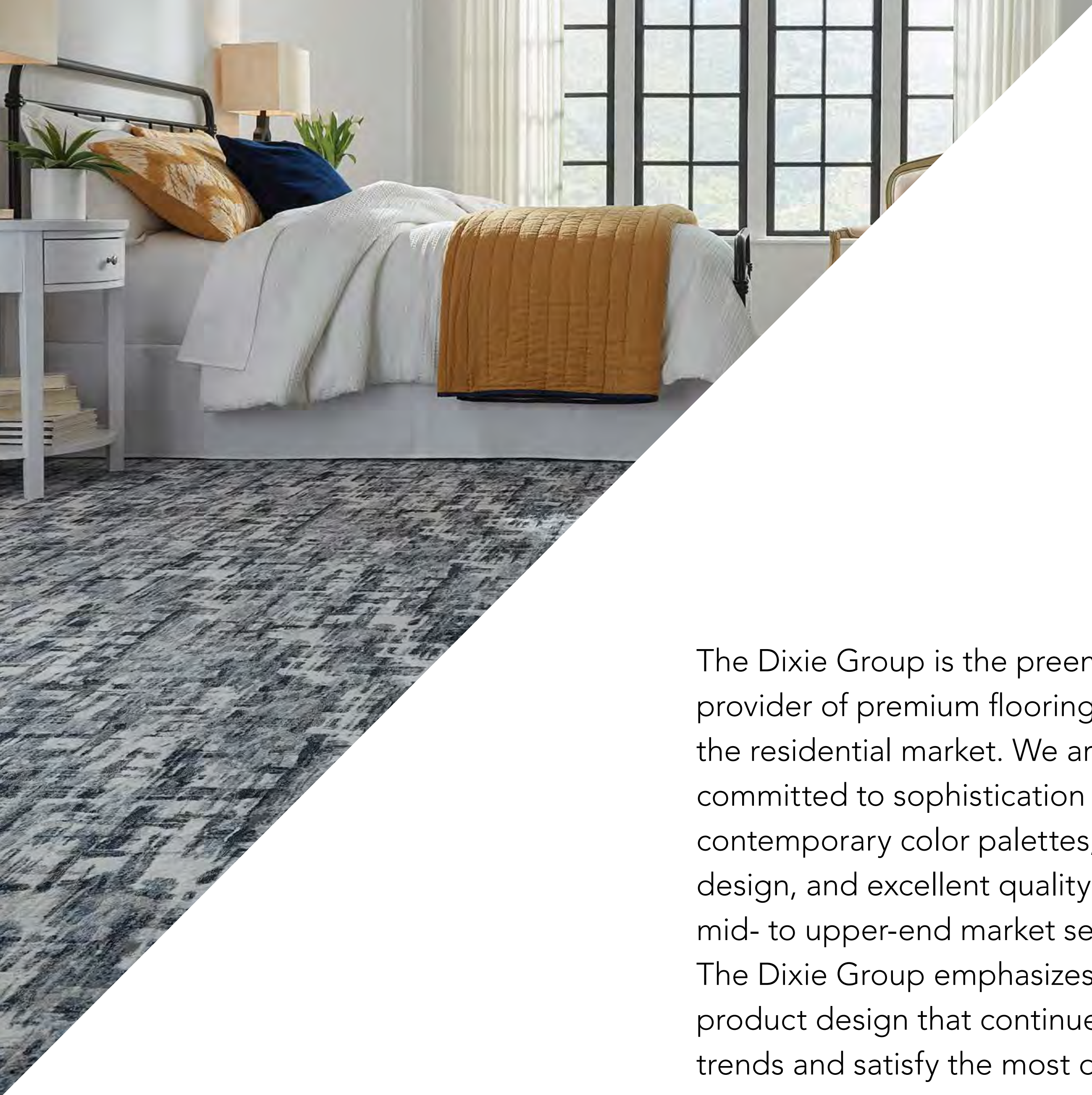
THE DIXIE GROUP



The Dixie Group is the preeminent provider of premium flooring to the residential market. We are committed to sophistication and style, contemporary color palettes, unique design, and excellent quality in the mid- to upper-end market segments. The Dixie Group emphasizes superior product design that continues to lead trends and satisfy the most discerning consumers. We aim to satisfy our customers with recognition, trust, quality, value, and inspiration.

FABRICA Masland DH FLOORS TRUCOR® FLOORING SIMPLIFIED

THE DIXIE GROUP

Dear Shareholders,

As 2024 began there was a consensus of thought that the economic climate would improve for the floorcovering industry due to the expected lowering of interest rates by the Federal Reserve. The optimism for our industry was not realized and 2024 simply was a continuation of the downturn for our industry which began in 2022.

Existing home sales which tend to be the catalyst for our industry improvement continued to be subdued. Existing home sales over the last 3 years have declined dramatically from over 6 million homes to under 4 million. The interest rate reductions which were projected for earlier in the year did not come about until late in the year.

Even though the economy has avoided a recession, our industry has been in a recession for several years and existing home sales are at the lowest point since 1995 and at that time our population was 25% lower, which means the weak existing home sales numbers are even more impactful today. Actual square yards of carpet shipped in the last 3 years are down 25%. Despite having gained market share during this period, we have had to take significant actions to lower costs, restructure facilities and streamline operations. Since the end of the year, we have successfully renegotiated our existing asset backed loan for a new 3 year period. This transaction puts us in a stronger position to weather any storms in the future and enhance our ability to grow our business.

During 2023 we reduced costs by over $35 million as a result of our restructuring plan to better align capacity and costs with current volume. In 2024 we further reduced costs by over $10 million and are taking actions which will again reduce costs by over $10 million in 2025. We have also been better stewards of our working capital and reduced inventories by $16 million over the last 2 years.

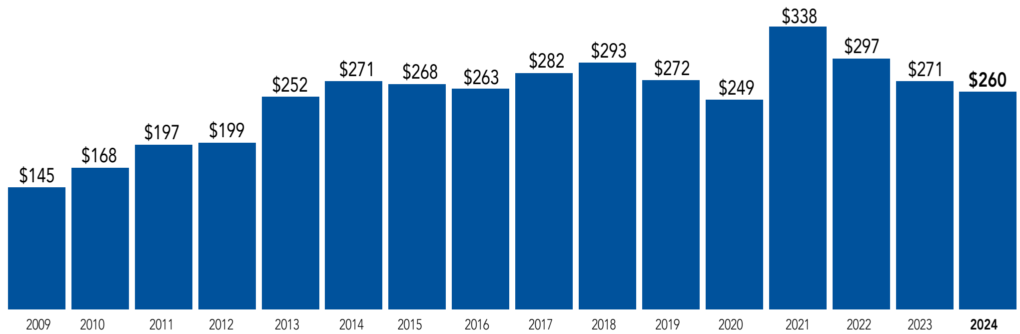
The reduction in business has also necessitated reducing our number of associates by 28% over this 3 year period. Our capital expenditures have been maintained at a very low level other than the investment in extrusion equipment which was made to not only provide us with lower cost raw material but insure a consistent supply if additional suppliers were to exit the business, which took place in late 2024 with the exit of Ascend from the marketplace.

Our extrusion equipment started up in late first quarter and is now running at capacity. Our commitment to piece dyable nylon fiber enables us to offer a larger pallet of color to our discriminating customers which we are promoting with our "step into color" campaign. This allows our designers to create unlimited color options for every market as well as offering custom color to our most discerning customers upon demand.

During this period of slower business, we have continued to invest in additional product through our commitment to several growth initiatives which are enhancing our customer relationships and helping us gain market share in a difficult period.

Our initiative to grow our hard surface business is centered on our TRUCOR brand to which we continue to add new offerings. These products of wood, stone and tile visuals provide waterproof, easy-to-clean solutions for today's residential customers. The Fabrica high-end wood program has performed well and is consistent with Fabrica's best in class reputation.

Residential
Division
Net Sales
(dollars in millions)



By expanding our significant wool offering with the introduction of a wider variety of decorative products through 1866 by Masland and De'Cor by Fabrica we have enhanced our position at the high-end of the floorcovering market and gained market share in the current environment. This investment in products and displays should help make us more important to the design community.

In 2024 we continued expanding our DuraSilk SD Pet Solutions polyester offering. This expansion reinforces our dedication to diversify our DH Floors product portfolio and has made a positive contribution to our market share gains. By incorporating our well-known style and design capabilities at price points we cannot reach with nylon products, we have broadened our differentiated offering to our customers and the ultimate consumers.

Our marketing activities have included continued focus on expanding our digital marketing efforts which has resulted in increased lead generation, sample order activity from our websites and improved capabilities for online product visualization. We also saw strong growth from retail stores where we have placed our Premier Flooring Center program. The investment in samples, merchandising and training in these stores have provided returns of increased business and greater market share.

Looking forward it is impossible to determine the mortgage rate level that will change the current market dynamics. Around 60% of outstanding mortgage holders have a rate below 4%. Unquestionably there is pent-up demand to sell existing homes and equity as a share of total real estate value is above 70% which is the highest level since the 1950s. This could make homeowners willing to take a more expensive mortgage sooner rather than later or lead to refurbishment sooner than might be expected.

In December existing home sales increased for the third straight time on a monthly basis, which has not happened since 2021. This could be a sign that buyers and sellers may be coming to terms with a higher interest rate environment and home purchasers can always refinance if rates go down in the future.

Since the election in early November, our industry, like many others has experienced an improvement in order entry activity. We believe this activity and potentially lower interest rates could lead to a better business environment in 2025. We believe we are well positioned to take advantage of better market dynamics.

We appreciate the continued commitment and dedication of our associates and shareholders during this challenging period. We also express our gratitude for our many customers who continue to work with us to improve our industry by selling better products to our ultimate consumer.

DANIEL K. FRIERSON
Chairman and Chief Executive Officer

STEP INTO *Color.*

BE BOLD. LIVE LUXE. The use of color in interior design is more than just an aesthetic choice. It has a profound effect on the mood and emotions of those who inhabit a space. By exploring the color spectrum, we can tap into the power of color psychology and uncover the emotions and energies that drive and inspire us. The Dixie Group's 2024 campaign, Step Into Color, leads the consumer on a vibrant journey of self-discovery through the language of color. In a sea of sameness, TDG's ability to bring any space to life with the use of infinite color options is what sets us apart from the competition.

Our Products

Fabrica, Masland, DH Floors (formerly Dixie Home), and TRUCOR® are our residential brands. Through each brand, we provide differentiated styles, designs, constructions, and colors to meet the needs of a broad range of customers. With a combination of creativity and technology, we develop and produce innovative and differentiated products that transform the home interiors of today's diverse consumer base. We proudly market our products domestically and internationally. Although broadloom carpet remains our primary category, we have grown significantly in the hard surface segment with our TRUCOR® rigid core and laminate, Fabrica Fine Wood, and DH Floors Hardwood offerings. These programs complement our soft surface offering and strategically enhance our position in the residential flooring market.

We continue to innovate in 2024 with the addition of extruding capabilities of white dyable nylon fiber. This allows our design teams to create unlimited color options for every market as well as creating custom color products on demand. In addition to our custom color program for broadloom nylon carpet, we launched a custom hardwood program in our Fabrica Fine Hardwood brand. Artisan Custom Hardwood is crafted to create the personal vision of the consumer for their home.

As we continue to diversify and strengthen our overall product offering, our mission remains the same… to create the world's most beautiful floors.

DH FLOORS

Affordable Fashion.

At DH Floors, we believe all families deserve beautiful flooring. We have drawn from decades of experience in yarn processing and carpet manufacturing to fulfill that vision. We combine the latest patterns with on-trend colors. We use the highest quality and best performing yarns. We offer a broad collection of styles that meet the needs of a wide range of consumers. We do these things because we don't want to be remembered just for our good looks… we want to be remembered for our good looks that last! Live your life on us!

In 2024, we continued expanding our DuraSilk SD Pet Solutions polyester offering as part of our ongoing strategic initiatives. This expansion reinforces our dedication to diversifying our DH Floors product portfolio and has contributed to positive sales trends, reflecting the continued strong acceptance and demand for our evolving range of polyester products.

TRUCOR®
FLOORING SIMPLIFIED

TRUCOR® rigid core and laminate flooring provides differentiation in today's market by offering products that possess features and benefits that other manufacturers don't provide. Beautiful and realistic visuals, quick and easy installation over most existing hard surface flooring, and the durability to stand up to the most active households with kid- and pet-friendly features are just a few things that make us different.

Our TRUCOR® families of wood, stone, and tile visuals provide waterproof, easy-to-clean solutions for today's residential and commercial consumers. With an attached pad and TRUWEAR™ Advanced Performance Finish, every TRUCOR® product is designed to provide comfort and performance in the most active residential and commercial environments.

Celebrating 50 Years…
Fabrica was founded 50 years ago with a clear mission statement to produce the world's most beautiful carpets and area rugs. To achieve this high standard, we continually utilize the finest nylon and wool materials, advanced technologies, and highly skilled artisans and designers that embody our mission statement: Quality without Compromise.

Being "Best in Class" takes tremendous focus and a remarkable commitment to detail. This is our foundation, our cornerstone. The result? A product offering without peer, understated in its elegance and timeless in its beauty. Décor by Fabrica continues to revolutionize these concepts of extraordinary style through a new offering of decorative, luxurious products. Confidently embracing innovative technologies and thoughtful product design is our passion—"Quality Without Compromise" is a dedication to refine your "DÉCOR." Our Fabrica Fine Wood offering is crafted using only the finest hardwoods across a variety of species, visuals, and colors. We aspire to provide a flawless foundation upon which beautiful interiors can be imagined and created.

Masland

Masland offers the most comprehensive selection of flooring in the industry, spanning an amazing spectrum of constructions, visuals, and colors to complement and enhance a wide range of décor. For over 150 years Masland has been recognized as a leader in quality and design. Our illustrious history of superior products paired with a passion for style and innovation continues to flourish in 1866 by Masland. Thoughtfully produced and carefully curated products are built on the foundation and visionary principles that drive our legacy. At Masland, we strive to deliver flooring created with the highest quality materials and brought to life through refined artistry, legendary style, and excellent service. We are Inspired by Design.

THE DIXIE GROUP

FORM 10-K REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 28, 2024
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to ________.

Commission File Number 0-2585

THE DIXIE GROUP

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

Tennessee	**62-0183370**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)
475 Reed Road, Dalton, GA 30720	**(706) 876-5800**
(Address of principal executive offices and zip code)	(Registrant's telephone number, including area code)

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

Title of Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $3.00 par value	**DXYN**	**OTCQB**

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

Title of class
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ☐ Yes ☑ No

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Section 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☑ No

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 28, 2024 (the last business day of the registrant's most recently completed fiscal second quarter) was $8,969,820. The aggregate market value was computed by reference to the closing price of the Common Stock on such date. In making this calculation, the registrant has assumed, without admitting for any purpose, that all executive officers, directors, and holders of more than 10% of a class of outstanding Common Stock, and no other persons, are affiliates. 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 27, 2025	
Common Stock, $3.00 Par Value	13,997,446	shares
Class B Common Stock, $3.00 Par Value	1,249,302	shares
Class C Common Stock, $3.00 Par Value	—	shares

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 7, 2025 (Part III).

THE DIXIE GROUP, INC.

Index to Annual Report on Form 10-K for Year Ended December 28, 2024

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FORWARD-LOOKING INFORMATION

This Report contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include the use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "intends," and similar terms and phrases. Such forward-looking statements relate to, among other matters, our future financial performance, business prospects, growth strategies or liquidity. The following important factors may affect our future results and could cause those results to differ materially from our historical results; these factors include, in addition to those "Risk Factors" detailed in Item 1A of this report, and described elsewhere in this document, the cost and availability of capital, raw material and transportation costs related to petroleum price levels, the cost and availability of energy supplies, the loss of a significant customer or group of customers, the ability to attract, develop and retain qualified personnel, materially adverse changes in economic conditions generally in carpet, rug and floorcovering markets we serve and other risks detailed from time to time in our filings with the Securities and Exchange Commission.

PART I.

Item 1. BUSINESS

General

Our business consists principally of marketing, manufacturing and selling floorcovering products to high-end residential customers through our various sales forces and brands. We focus exclusively on the upper-end of the floorcovering market where we believe we have strong brands and competitive advantages with our style and design capabilities and customer relationships. Our Fabrica, Masland, DH Floors and TRUCOR™ brands have a significant presence in the high-end residential floorcovering markets. Our business participates in markets for soft floorcoverings, which include broadloom carpet and rugs, and hard surfaces, which include luxury vinyl flooring (LVF) and engineered wood.

We have one reportable segment, Floorcovering.

Our Brands

Our brands are well known, highly regarded and offer meaningful alternatives to the discriminating customer.

Fabrica markets and manufactures luxurious residential carpet, custom rugs, and engineered wood at selling prices that we believe are approximately five times the average for the residential soft floorcovering industry. Its primary customers are interior decorators and designers, selected retailers and furniture stores, luxury home builders and manufacturers of luxury motor coaches and yachts. Fabrica is among the leading premium brands in the domestic marketplace and is known for styling innovation and unique colors and patterns. Fabrica consists of extremely high quality carpets and area rugs in both nylon and wool, with a wide variety of patterns and textures. Fabrica is viewed by the trade as the premier quality brand for very high-end carpet and enjoys an established reputation as a styling trendsetter and a market leader in providing both custom and designer products to the very high-end residential sector.

Masland, founded in 1866, markets and manufactures design-driven specialty carpets and rugs for the high-end residential marketplace. In addition, it offers luxury vinyl flooring products to the marketplace it serves. Its residential broadloom carpet products are marketed at selling prices that we believe are over three times the average for the residential soft floorcovering industry. Its products are marketed through the interior design community, as well as to consumers through specialty floorcovering retailers. Masland Residential has strong brand recognition within the upper-end residential market. Masland Residential competes through innovative styling, color, product design, quality and service.

DH Floors provides stylishly designed, differentiated products that offer affordable fashion to residential consumers. DH Floors markets an array of residential tufted broadloom carpet and rugs to selected retailers and home centers under the DH Floors and private label brands. In addition, it offers luxury vinyl flooring products to the marketplace it serves. Its objective is to make the DH Floors brand the choice for styling, service and quality in the more moderately priced sector of the high-end residential market. Its products are marketed at selling prices which we believe average two times the soft floorcovering industry's average selling price.

TRUCOR™ delivers rigid vinyl flooring options that capture the beauty of hardwood and stone, yet are designed to take the demands of active home and work environments at a fraction of the cost. With a 100% waterproof core each design is engineered to perform in both residential or commercial environments. With our TRUWEAR™ acrylic coating, each design is protected against dirt, moisture, stains and scratches. TRUCOR™ is engineered to provide warmth underfoot as well as a cushioned feel. TRUCOR's advanced performance IXPE attached pad also helps to insulate sound, providing the perfect solution for high traffic areas.

Industry

We are a flooring manufacturer in an industry composed of a wide variety of companies from small privately held firms to large multinationals. In 2023, according to the most recent information available, the U.S. floorcovering industry reported $34.1 billion in sales, down approximately 7.4% from the 2022 sales total. In 2023, the primary categories of flooring in the U.S., based on sales dollars, were carpet and rug (33%), luxury vinyl flooring (LVF) (28%), wood (12%), ceramic tile (13%), stone (6%), vinyl (4%), and laminate and other (4%). In 2023, the primary categories of flooring in the U.S., based on square feet, were carpet and rug (39%), luxury vinyl flooring (LVF) (31%), ceramic tile (11%), vinyl (7%), wood (5%), laminate (3%), and stone and other (3%). Each of these categories is influenced by the residential construction, commercial construction, and residential remodeling markets. These markets are influenced by many factors including consumer confidence, spending for durable goods, turnover in housing and the overall strength of the economy.

The carpet and rug category has two primary markets, residential and commercial, with the residential market making up the largest portion of the industry's sales. A substantial portion of industry shipments is made in response to replacement demand. Residential products consist of broadloom carpets and rugs in a broad range of styles, colors and textures and hard surface products such as wood, luxury vinyl flooring, stone and ceramic tile. Commercial products consist primarily of broadloom carpet and modular carpet tile for a variety of institutional applications such as office buildings, restaurant chains, schools and other commercial establishments. The carpet industry also manufactures carpet for the automotive, recreational vehicle, small boat and other industries.

The Carpet and Rug Institute (the "CRI") is the national trade association representing carpet and rug manufacturers. Information compiled by the CRI suggests that the domestic carpet and rug industry is comprised of fewer than 100 manufacturers, with a significant majority of the industry's production concentrated in a limited number of manufacturers focused on the lower end of the price curve. We believe that this industry focus provides us with opportunities to capitalize on our competitive strengths in selected markets where innovative styling, design, product differentiation, focused service and limited distribution add value.

Competition

The floorcovering industry is highly competitive. We compete with other carpet, rug and hard surface manufacturers. In addition, the industry provides multiple floorcovering surfaces such as luxury vinyl tile and wood. Though soft floorcovering is still the dominant floorcovering surface, it has gradually lost market share to hard floorcovering surfaces over the last 25 years. We believe our products are among the leaders in styling and design in the high-end residential carpet markets. However, a number of manufacturers produce competitive products and some of these manufacturers have greater financial resources than we do.

We believe the principal competitive factors in our primary floorcovering markets are styling, color, product design, quality and service. In the high-end residential markets, we compete with various other floorcovering suppliers. Nevertheless, we believe we have competitive advantages in several areas. We have an attractive portfolio of brands that we believe are well known, highly regarded by customers and complementary; by being differentiated, we offer meaningful alternatives to the discriminating customer. We believe our investment in new yarns and innovative tufting and dyeing technologies, strengthens our ability to offer product differentiation to our customers. In addition, we have established longstanding relationships with key suppliers of luxury vinyl flooring and with significant customers in most of our markets. Finally, our reputation for innovative design excellence and our experienced management team enhance our competitive position. See "Risk Factors" in Item 1A of this report.

Backlog

Sales order backlog is not material to understanding our business, due to relatively short lead times for order fulfillment in the markets for the vast majority of our products.

Trademarks

Our floorcovering businesses own a variety of trademarks under which our products are marketed. Among such trademarks, the names "Fabrica", "Masland", "DH Floors" and TRUCOR™ are of greatest importance to our business. We believe that we have taken adequate steps to protect our interest in all significant trademarks.

Customer and Product Concentration

No customer was more than 10 percent of our net sales during the periods presented. During 2024, sales to our top ten customers accounted for approximately 7% of our sales and our top 20 customers accounted for approximately 10% of our sales. We do not have a material amount of sales in foreign countries.

We do not have any single class of products that accounts for more than 10% of our sales.

Seasonality

Our sales historically have normally reached their highest level in the second quarter (approximately 26% of our annual sales) and their lowest levels in the first quarter (approximately 24% of our annual sales), with the remaining sales being distributed relatively equally between the third and fourth quarters. Working capital requirements have normally reached their highest levels in the second and third quarters of the fiscal year.

Environmental

Our operations are subject to federal, state and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. The costs of complying with environmental protection laws and regulations have not had a material adverse impact on our financial condition or results of operations in the past. See "Risk Factors” in Item 1A of this report.

Raw Materials

Our primary raw material is continuous filament yarn. Nylon is the primary yarn we utilize and, to a lesser extent, wool and polyester yarn is used. Additionally, we utilize polypropylene carpet backing, latex, dyes and chemicals, and man-made topical applications in the construction of our products. The volatility of petroleum prices could adversely affect our supply and cost of synthetic fibers. Our synthetic yarns are purchased primarily from domestic fiber suppliers and wool is purchased from a number of international sources. Our other raw materials are purchased primarily from domestic suppliers, although the majority of our luxury vinyl tile is sourced outside the United States. Normally, we pass raw material price increases through to our customers; however, there can be no assurance that cost increases can be passed through to customers and that increases in raw material prices will not have an adverse effect on our profitability. See "Risk Factors" in Item 1A of this report. There are multiple sources of nylon yarn; however, an unanticipated termination or interruption of our supply arrangements could adversely affect our supplies of raw materials and could have a material effect on our operations. See "Risk Factors" in Item 1A of this report.

Utilities

We use electricity as our principal energy source, with oil or natural gas used in some facilities for dyeing and finishing operations as well as heating. We have not experienced any significant problems or issues in obtaining adequate supplies of electricity, natural gas or oil. Energy shortages of extended duration could have an adverse effect on our operations, and price volatility could negatively impact future earnings. See "Risk Factors" in Item 1A of this report.

Working Capital

We are required to maintain significant levels of inventory in order to provide the enhanced service levels demanded by the nature of our business and our customers, and to ensure timely delivery of our products. Consistent and dependable sources of liquidity are required to maintain such inventory levels. Failure to maintain appropriate levels of inventory could materially adversely affect our relationships with our customers and adversely affect our business. See "Risk Factors" in Item 1A of this report.

Human Capital Resources

At December 28, 2024, our total employed associates was 951.

As stated in the Company's Code of Ethics, Company policy is to promote diversity, prohibit discrimination and harassment in the workplace and to provide a safe and healthy workplace for Company associates.

Available Information

Our internet address is www.thedixiegroup.com. We make the following reports filed by us with the Securities and Exchange Commission available, free of charge, on our website under the heading "Investor Relations":

1. annual reports on Form 10-K;
2. quarterly reports on Form 10-Q;
3. current reports on Form 8-K; and
4. amendments to the foregoing reports.

The contents of our website are not a part of this report.

Item 1A. Risk Factors

In addition to the other information provided in this Report, the following risk factors should be considered when evaluating the results of our operations, future prospects and an investment in shares of our Common Stock. Any of these factors could cause our actual financial results to differ materially from our historical results, and could give rise to events that might have a material adverse effect on our business, financial condition and results of operations.

We have significant levels of indebtedness that includes covenants that we must comply with and if unable to comply with such covenants, it could cause us to be unable to continue as a going concern.

We have a significant amount of indebtedness relative to our equity. Insufficient cash flow, profitability, or the value of our assets securing our loans could have a material adverse effect on our ability to generate sufficient funds to satisfy the terms of our senior loan agreements and other debt obligations. Our senior loan agreement and term loans include certain compliance, affirmative, and financial covenants. The impact of continued operating losses on our liquidity position could affect our ability to comply with these covenants by our primary lenders and could cause us to be unable to continue to operate as a going concern. Additionally, the inability to access debt or equity markets at competitive rates in sufficient amounts to satisfy our obligations could adversely impact our business. Significant increases in interest rates tied to our floating rate debt could have a material adverse effect on our financial results. Further, our trade relations depend on our economic viability and insufficient capital could harm our ability to attract and retain customers and or supplier relationships.

The floorcovering industry is sensitive to changes in general economic conditions and a decline in residential activity or home remodeling and refurbishment could have a material adverse effect on our business.

The floorcovering industry, in which we participate, is highly dependent on general economic conditions, such as interest rate levels, consumer confidence and income, corporate and government spending, availability of credit and demand for housing. We derive a majority of our sales from the replacement segment of the market. Therefore, unfavorable economic changes, such as an economic recession, could result in a significant or prolonged decline in spending for remodeling and replacement activities which could have a material adverse effect on our business and results of operations.

The residential floorcovering market is highly dependent on housing activity, including remodeling. The U.S. and global economies, along with the residential markets in such economies, can negatively impact the floorcovering industry and our business. Although the impact of a decline in new housing activity is typically accompanied by an increase in remodeling and replacement activity, these activities typically lag during a cyclical downturn. Additional or extended downturns could cause prolonged deterioration. A significant or prolonged decline in residential housing activity could have a material adverse effect on our business and results of operations.

Our Common Stock was delisted from the Nasdaq Stock Market, which could make trading in our Common Stock more difficult for investors, potentially leading to declines in our share price and liquidity and could limit our ability to raise additional capital.

Nasdaq Marketplace Rule 5550(a)(2) requires that, for continued listing on the exchange, we must maintain a minimum bid price of $1 per share. We received notice from Nasdaq on September 27, 2023 that our closing bid price was below $1 per share for 30 consecutive business days. We requested, and were granted, an additional 180 calendar days from March 25, 2024 to September 24, 2024 to meet the applicable minimum bid price requirement. On September 24, 2024, the Company received a letter from Nasdaq notifying the Company that it had not regained compliance with the bid price requirement by the required compliance date and, as a result, the Company's Common Stock was subject to delisting. Effective at the opening of business on October 3, 2024, our Common Stock was suspended and delisted from Nasdaq and began trading on the Over-the-Counter Market pink sheets under the stock symbol DXYN. Effective October 4, 2024, we were upgraded to the Over-the-Counter OTCQB Market ("the OTCQB") trading under the same symbol DXYN. On February 12, 2025, Nasdaq filed a Form 25 with the SEC notifying the SEC of Nasdaq's determination to remove our securities from listing on Nasdaq. The delisting was effective February 21, 2025.

Our delisting from Nasdaq could make trading in our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Shareholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock will likely be made more difficult and the trading volume and liquidity of our stock could decline. Our delisting from Nasdaq could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely impact the acceptance of our Common Stock as currency or the value accorded by other parties.

Uncertainty in the credit market or downturns in the economy and our business could affect our overall availability and cost of credit.

Economic factors, including an economic recession, could have a material adverse effect on demand for our products and on our financial condition and operating results. Uncertainty in the credit markets could affect the availability and cost of credit. If banks and financial institutions with whom we have banking relationships enter receivership or become insolvent in the future, we may be unable to access, and we may lose, some or all of our existing cash and cash equivalents to the extent those funds are not insured or otherwise protected by the FDIC. Market conditions could impact our ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness. The cost and terms of such financing is uncertain. Continued operating losses could affect our ability to continue to access the credit markets under our current terms and conditions.

Our stock price has been and could remain volatile, which could further adversely affect the market price of our stock, our ability to raise additional capital.

The market price of our common stock has historically experienced and may continue to experience significant volatility. Our progress in restructuring our business, our quarterly operating results, our perceived prospects, lack of securities analysts' recommendations or earnings estimates, changes in general conditions in the economy or the financial markets, adverse events related to our strategic relationships, significant sales of our common stock by existing stockholders, and other developments affecting us or our competitors could cause the market price of our common stock to fluctuate substantially. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. Such market price volatility could adversely affect our ability to raise additional capital.

We face intense competition in our industry, which could decrease demand for our products and could have a material adverse effect on our profitability.

The floorcovering industry is highly competitive. We face competition from a number of domestic manufacturers and independent distributors of floorcovering products and, in certain product areas, foreign manufacturers. Significant consolidation within the floorcovering industry has caused a number of our existing and potential competitors to grow significantly larger and have greater access to resources and capital than we do. Maintaining our competitive position may require us to make substantial additional investments in our product development efforts, manufacturing facilities, distribution network and sales and marketing activities. These additional investments may be limited by our access to capital, as well as restrictions set forth in our credit facilities. Competitive pressures and the accelerated growth of hard surface alternatives have resulted in decreased demand for our soft floorcovering products and in the loss of market share to hard surface products. As a result, competition from providers of other soft surfaces has intensified and may result in lower demand for our products. In addition, we face, and will continue to face, competitive pressures on our sales prices and cost of our products. As a result of any of these factors, there could be a material adverse effect on our sales and profitability.

If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our net revenues and profitability.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. In addition, long lead times for certain products may make it hard for us to quickly respond to changes in consumer demands. New products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of flooring products or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels, which could have a material adverse effect on our financial condition.

Raw material prices will vary and the inability to either offset or pass on such cost increases or avoid passing on decreases larger than the cost decrease to our customers could have a material adverse effect on our business, results of operations and financial condition.

We require substantial amounts of raw materials to produce our products, including nylon and polyester yarn, as well as wool yarns, synthetic backing, latex, and dyes. Substantially all of the raw materials we require are purchased from outside sources. The prices of raw materials and fuel-related costs have increased significantly due to market conditions and inflationary pressures, the duration and extent of which is difficult to predict. The fact that we source a significant amount of raw materials means that several months of raw materials and work in process are moving through our supply chain at any point in time. We are sourcing the majority of our new luxury vinyl flooring and wood product lines from overseas. We are not able to predict whether commodity costs will significantly increase or decrease in the future. If commodity costs continue to increase in the future and we are not able to reduce or eliminate the effect of the cost increases by reducing production costs or implementing price increases, our profit margins could decrease. If commodity costs decline, we may experience pressures from customers to reduce our selling prices. The timing of any price reductions and decreases in commodity costs may not align. As a result, our margins could be affected.

Disruption to suppliers of raw materials could have a material adverse effect on us.

Nylon yarn is the principal raw material used in our floorcovering products. The supply of all nylon yarn and yarn systems has been negatively impacted by a variety of overall market factors. The cost of nylon yarns has risen significantly and availability of nylon yarns has been restricted. An interruption in the supply of these or other raw materials or sourced products used in our business or in the supply of suitable substitute materials or products would disrupt our operations, which could have a material adverse effect on our business. Supply constraints may impact our ability to successfully develop products and effectively service our customers. We have developed and are developing products and product offerings using fiber systems from multiple external fiber suppliers as well as from vertically integrated production of our yarn supply through dedicated internal extrusion operations. There can be no certainty as to the success of our efforts to develop and market such products. We continually evaluate our sources of yarn and other raw materials for competitive costs, performance characteristics, brand value, and diversity of supply.

We rely on information systems in managing our operations and any system failure, cyber incident or deficiencies of such systems may have an adverse effect on our business.

Our businesses rely on sophisticated systems to obtain, rapidly process, analyze and manage data. We rely on these systems to, among other things, facilitate the purchase, manufacture and distribution of our products; receive, process and ship orders on a timely basis; and to maintain accurate and up-to-date operating and financial data for the compilation of management information. We rely on our computer hardware, software and network for the storage, delivery and transmission of data to our sales and distribution systems, and certain of our production processes are managed and conducted by computer. Any damage by unforeseen events or system failure which causes interruptions to the input, retrieval and transmission of data or increase in the service time, whether caused by human error, natural disasters, power loss, computer viruses, intentional acts of vandalism, various forms of cyber crimes including and not limited to hacking, ransomware, intrusions and malware or otherwise, could disrupt our normal operations. Depending upon the severity of the incident, there can be no assurance that we can effectively carry out our disaster recovery plan to handle a failure of our information systems, or that we will be able to restore our operational capacity within sufficient time to avoid material disruption to our business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction and harm to our reputation, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on our business, financial condition, results of operations, and prospects.

The long-term performance of our business relies on our ability to attract, develop and retain qualified personnel.

To be successful, we must attract, develop and retain qualified and talented personnel in management, sales, marketing, product design and operations. We compete with other floorcovering companies for these employees and invest resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect our business, financial condition and results of operations.

We are subject to various governmental actions that may interrupt our supply of materials.

We import most of our luxury vinyl flooring ("LVF"), some of our wood offering, some of our rugs and broadloom offerings. Though currently a small part of our business, the growth in LVF products is an important product offering to provide our customers a complete selection of flooring alternatives. There have been trade proposals that threatened these product categories with added tariffs which would make our offerings less competitive compared to those manufactured in other countries or produced domestically. These proposals, if enacted, or if expanded, or imposed for a significant period of time, would materially interfere with our ability to successfully enter into these product categories and could have a material adverse effect upon our cost of sales and results of operations.

Regulatory efforts to monitor political, social, and environmental conditions in foreign countries that produce products or components of products purchased by us will necessarily add complexity and cost to our products and processes and may reduce the availability of certain products. Regulatory efforts to prevent or reduce the risk that certain flooring products or elements of such products are produced in regions where forced or involuntary labor are known or believed to occur will result in increased cost to us as we attempt to ensure that none of our products or components of our products are produced in such regions. Such increased cost may make our products less competitive.

We may experience certain risks associated with internal expansion, acquisitions, joint ventures and strategic investments.

We continually look for strategic and tactical initiatives, including internal expansion, acquisitions and investment in new products, to strengthen our future and to enable us to return to sustained growth and to achieve profitability. Growth through expansion and acquisition involves risks, many of which may continue to affect us after the acquisition or expansion. An acquired company, operation or internal expansion may not achieve the levels of revenue, profitability and production that we expect. The combination of an acquired company's business with ours involves risks. Further, internally generated growth that involves expansion involves risks as well. Such risks include the integration of computer systems, alignment of human resource policies and the retention of valued talent. Reported earnings may not meet expectations because of goodwill and intangible asset impairment, other asset impairments, increased interest costs and issuance of additional securities or debt as a result of these acquisitions. We may also face challenges in consolidating functions and integrating our organizations, procedures, operations and product lines in a timely and efficient manner.

The diversion of management attention and any difficulties encountered in the transition and integration process could have a material adverse effect on our revenues, level of expenses and operating results. Failure to successfully manage and integrate an acquisition with our existing operations or expansion of our existing operations could lead to the potential loss of customers of the acquired or existing business, the potential loss of employees who may be vital to the new or existing operations, the potential loss of business opportunities or other adverse consequences that could have a material adverse effect on our business, financial condition and results of operations. Even if integration occurs successfully, failure of the expansion or acquisition to achieve levels of anticipated sales growth, profitability or productivity, or otherwise perform as expected, may have a material adverse effect on our business, financial condition and results of operations.

We are subject to various environmental, safety and health regulations that may subject us to costs, liabilities and other obligations, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to various environmental, safety and health and other regulations that may subject us to costs, liabilities and other obligations which could have a material adverse effect on our business. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. We could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of our operations. Additionally, future laws, ordinances, regulations or regulatory guidelines could give rise to additional compliance or remediation costs that could have a material adverse effect on our business, results of operations and financial condition. For example, producer responsibility regulations regarding end-of-life disposal could impose additional cost and complexity to our business.

The Environmental Protection Agency ("EPA") has declared an intent to focus on perceived risks posed by certain chemicals (principally PFOA and PFOAS) previously used by the carpet industry. Recently, such chemicals have been declared to be hazardous substances by the EPA. New or revised regulatory actions could result in requirements that industry participants, including us, incur costs related to testing and cleanup of areas affected by such chemical usage. Other chemicals or materials historically used by the industry and us could become the focus of similar governmental action.

Various federal, state and local environmental laws govern the use of our current and former facilities. These laws govern such matters as:

- Discharge to air and water;
- Handling and disposal of solid and hazardous substances and waste, and
- Remediation of contamination from releases of hazardous substances in our facilities and off-site disposal locations.

We are a manufacturer and distributor of flooring products which require processes and materials that necessarily utilize substantial amounts of carbon-based energy and accordingly involve the emission of “greenhouse gasses.” Regulatory monitoring, reporting and, more generally, efforts to eliminate or substantially reduce “greenhouse gasses” will necessarily add complexity and cost to our products and processes decreasing profitability and consumer demand. Additionally, consumer preferences may be affected by publicly announced issues related to “greenhouse gasses” which may negatively affect demand for our products. There can be no assurance that we can cost effectively respond to any such regulatory efforts or that demand for our products can be sustained under such pressures.

Our operations also are governed by laws relating to workplace safety and worker health, which, among other things, establish noise standards and regulate the use of hazardous materials and chemicals in the workplace. We have taken, and will continue to take, steps to comply with these laws. If we fail to comply with present or future environmental or safety regulations, we could be subject to future liabilities. However, we cannot ensure that complying with these environmental or health and safety laws and requirements will not adversely affect our business, results of operations and financial condition.

We may be exposed to litigation, claims and other legal proceedings in the ordinary course of business relating to our products or business, which could have a material adverse effect on our business, results of operations and financial condition.

In the ordinary course of business, we are subject to a variety of work-related and product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters that are inherently subject to many uncertainties regarding the possibility of a loss to our business. Such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or resolve these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance, the policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels. Additionally, adverse publicity arising from claims made against us, even if the claims are not successful, could adversely affect our reputation or the reputation and sales of our products.

Our business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events.

Many of our business activities involve substantial investments in manufacturing facilities and many products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters, such as floods, tornadoes, hurricanes and earthquakes, or by fire or other unexpected events such as adverse weather conditions or other disruptions to our facilities, supply chain or our customer's facilities. We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition and results of operations.

Our financial condition and results of operations have been and could likely be adversely impacted in the future by COVID-19 or other pandemics and the related negative impact on economic conditions.

Global and/or local pandemics, such as COVID-19, have negatively impacted areas where we operate and sell our products and services. The COVID-19 outbreak in the second quarter of 2020 had a material adverse effect on our ability to operate and our results of operations as public health organizations recommended, and many governments implemented, measures to slow and limit the transmission of the virus, including shelter in place and social distancing ordinances. Although the accessibility of vaccines and other preventive measures have lessened the impact, new variants or other pandemics may necessitate a return of such restrictive, preventive measures which may have a material adverse effect on our business for an indefinite period of time, such as the potential shut down of certain locations, decreased employee availability, disruptions to the businesses of our selling channel partners, and others. Our suppliers and customers may also face these and other challenges, which could lead to a disruption in our supply chain as well as decreased construction and renovation spending and consumer demand for our products and services. These issues may also materially affect our current and future access to sources of liquidity, particularly our cash flows from operations, and access to financing. The long-term economic impact and near-term financial impacts of the COVID-19 pandemic or other pandemics, including but not limited to, potential near term or long-term risk of asset impairment, restructuring, and other charges, cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

We recognize cybersecurity as a critical aspect of our overall risk management program and are committed to maintaining a cybersecurity program to protect our information assets, systems, and operations. Our cybersecurity risk management program is integrated into our overall enterprise risk management program and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational and financial risks areas. We continuously evaluate and enhance our cybersecurity program based on lessons learned, industry best practices and feedback from internal and external stakeholders.

Key aspects of our cybersecurity risk management program include:

- risk assessments designed to help identify, prioritize and mitigate potential material cybersecurity risks to our critical systems and information;
- an internal Information Technology staff responsible for managing our cybersecurity risk assessment processes, our security controls and our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our associates, incident response personnel and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for key service providers, suppliers, and vendors.

We did not experience a material cybersecurity incident during the year ended December 28, 2024; however, the scope and impact of any future incident cannot be predicted. See "Item 1A. Risk Factors" for more information on our cybersecurity-related risks.

Cybersecurity Governance

Our Board of Directors (the "Board") has oversight responsibility for cybersecurity risk management. The Board oversees management's ongoing activities related to our cybersecurity risk management program. The management team is responsible for the implementation and execution of our cybersecurity program. In addition, the management team provides guidance and direction on cybersecurity priorities, resource allocation and risk tolerance levels. The Board receives quarterly updates from the management team on cybersecurity matters.

Item 2. PROPERTIES

The following table lists our facilities according to location, type of operation and approximate total floor space as of March 10, 2025:

Location	Type of Operation	Approximate Square Feet
Administrative:		
Saraland, AL*	Administrative	29,000
Santa Ana, CA*	Administrative	4,000
Calhoun, GA	Administrative	10,600
Dalton, GA*	Administrative	50,800
	Total Administrative	94,400
Manufacturing and Distribution:		
Atmore, AL	Distribution / Warehouse	610,000
Roanoke, AL	Carpet Yarn Processing	204,000
Saraland, AL*	Warehouse	384,000
Porterville, CA*	Carpet Yarn Processing	249,000
Santa Ana, CA*	Carpet and Rug Manufacturing, Distribution	200,000
Adairsville, GA*	Samples and Rug Manufacturing, Distribution	292,000
Calhoun, GA	Carpet Dyeing & Processing	193,300
Eton, GA	Carpet Manufacturing, Distribution	408,000
Chatsworth, GA*	Samples Warehouse and Distribution	161,400
	Total Manufacturing and Distribution	2,701,700
* Leased properties	TOTAL	2,796,100

In our opinion, our manufacturing facilities are well maintained and our machinery is efficient and competitive. Operations of our facilities generally vary between 120 and 168 hours per week. Substantially all of our owned properties are subject to mortgages, which secure the outstanding borrowings under these mortgages.

Item 3. LEGAL PROCEEDINGS

We have been sued together with 15 other defendants in a civil action filed January 22, 2024, in the Superior Court of Gordon County Georgia. The case is styled: Moss Land Company, LLC and Revocable Living Trust of William Darryl Edwards, by and through William Darryl Edwards, Trustee vs. City of Calhoun et al. Civil Action Number 24CV73929. The plaintiffs are two landowners located in Gordon County Georgia. The relief sought is compensation for alleged damages to the plaintiffs' real property, an injunction from alleged further damage to their property and abatement of alleged nuisance related to the presence of PFAS and related chemicals on their property. The Plaintiffs allege that such chemicals have been deposited on their property by the City of Calhoun as a byproduct of treating water containing such chemicals used by manufacturing operations in and around Calhoun Georgia. The defendants include the City of Calhoun Georgia, several other carpet manufacturers, and certain manufacturers and sellers of chemicals containing PFAS. No specific amount of damages has been demanded. We have denied liability and are vigorously defending the matter.

On March 1, 2024, the City of Calhoun Georgia served an answer and crossclaim for Damages and injunctive relief in the pending matter styled: In re: Moss Land Company, LLC and Revocable living Trust of William Darryl Edwards by and through William Darryl Edwards, Trustee v. The Dixie Group, Inc. In the Superior Court of Gordon County Georgia, case Number: 24CV73929. In its Answer and Crossclaim defendant Calhoun sues The Dixie Group, Inc. and other named carpet manufacturing defendants for unspecified monetary damages and other injunctive relief based on injury claimed to have resulted from defendant's use and disposal of chemical wastewater containing PFAS chemicals. We have filed an answer denying liability and are vigorously defending the matter.

On May 7, 2024, we were sued, together with 15 other named defendants, in a matter styled William Hartwell Brooks, et al v the City of Calhoun Georgia, In the Superior Court of Gordon County Georgia, civil action number 24CV74289. The case seeks unspecified monetary and other damages alleged to have been suffered by plaintiffs as landowners by the discharge of PFAS chemicals in proximity to or directly adjacent to their properties. We have filed an answer denying liability and are vigorously defending the matter.

On February 14, 2025, we were sued along with 15 other named defendants in a matter styled: Stephens v the Dixie Group, Inc. et al. In the Superior Court of Gordon County, Georgia, case no 25CV7507. The case seeks unspecified monetary and other damages alleged to have been suffered by plaintiffs as landowners by the discharge of PFOA, PFOS and related chemicals in proximity to or directly adjacent to their property. We intend to file an answer to the complaint, denying liability, and to vigorously defend the matter.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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 10, 2025, 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, 83 Chairman of the Board, and Chief Executive Officer, Director	Director since 1973, Chairman of the Board since 1987 and Chief Executive Officer since 1980. He is the Chairman of the Company's Executive Committee. He is past Chairman of The Carpet and Rug Institute.
D. Kennedy Frierson, Jr., 58 Vice President and Chief Operating Officer, Director	Director since 2012 and Vice President and Chief Operating Officer since August 2009. Vice President and President Masland Residential from February 2006 to July 2009. President Masland Residential from December 2005 to January 2006. Executive Vice President and General Manager, Dixie Home, 2003 to 2005. Business Unit Manager, Bretlin, 2002 to 2003.
Allen L. Danzey, 55 Vice President and Chief Financial Officer	Chief Financial Officer since January 2020. Director of Accounting from May 2018 to December 2019. Commercial Division Controller from July 2009 to May 2018. Residential Division Controller and Senior Accountant from February 2005 to July 2009.
Thomas M. Nuckols, Jr., 57 Vice President and President, Dixie Residential	Vice President and President of Dixie Residential since November 2017. Executive Vice President, Dixie Residential from February 2017 to November 2017. Dupont/Invista, from 1989 to 2017, Senior Director of Mill Sales and Product Strategy from 2015 to 2017.
W. Derek Davis, 74 Senior Vice President, Human Resources and Corporate Secretary	Vice President of Human Resources since January 1991 and Corporate Secretary since January 2016. Corporate Employee Relations Director, 1988 to 1991.

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

PART II.

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Effective at the opening of business on October 3, 2024, our Common Stock was suspended and delisted from Nasdaq and began trading on the Over-the-Counter Market pink sheets under the stock symbol "DXYN". Effective October 4, 2024, we were upgraded to the Over-the-Counter OTCQB Market ("the OTCQB") trading under the same symbol "DXYN". Before October 3, 2024, our Common Stock traded on Nasdaq under the ticker symbol "DXYN". No market exists for our Class B Common Stock.

As of March 10, 2025, the total number of holders of our Common Stock was approximately 2,500 including an estimated 2,050 shareholders who hold our Common Stock in nominee names. The total number of holders of our Class B Common Stock was 10.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Fiscal Month Ending	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares That May Yet Be Purchased Under Plans or Programs
November 2, 2024	—	$ —	—	—
November 30, 2024	—	—	—	—
December 28, 2024	4,726	0.64	—	—
Three Fiscal Months Ended December 28, 2024	4,726	$ 0.64	—	$ —

(1) During the three months ended December 28, 2024, 4,726 shares were withheld from an employee in lieu of cash payments for withholding taxes due for a total amount of $3,034 pursuant to the terms of the applicable incentive plans.

Dividends and Price Range of Common Stock

There is a restriction on the payment of dividends under our revolving credit facility and we have not paid any dividends in the years ended December 28, 2024 and December 30, 2023.

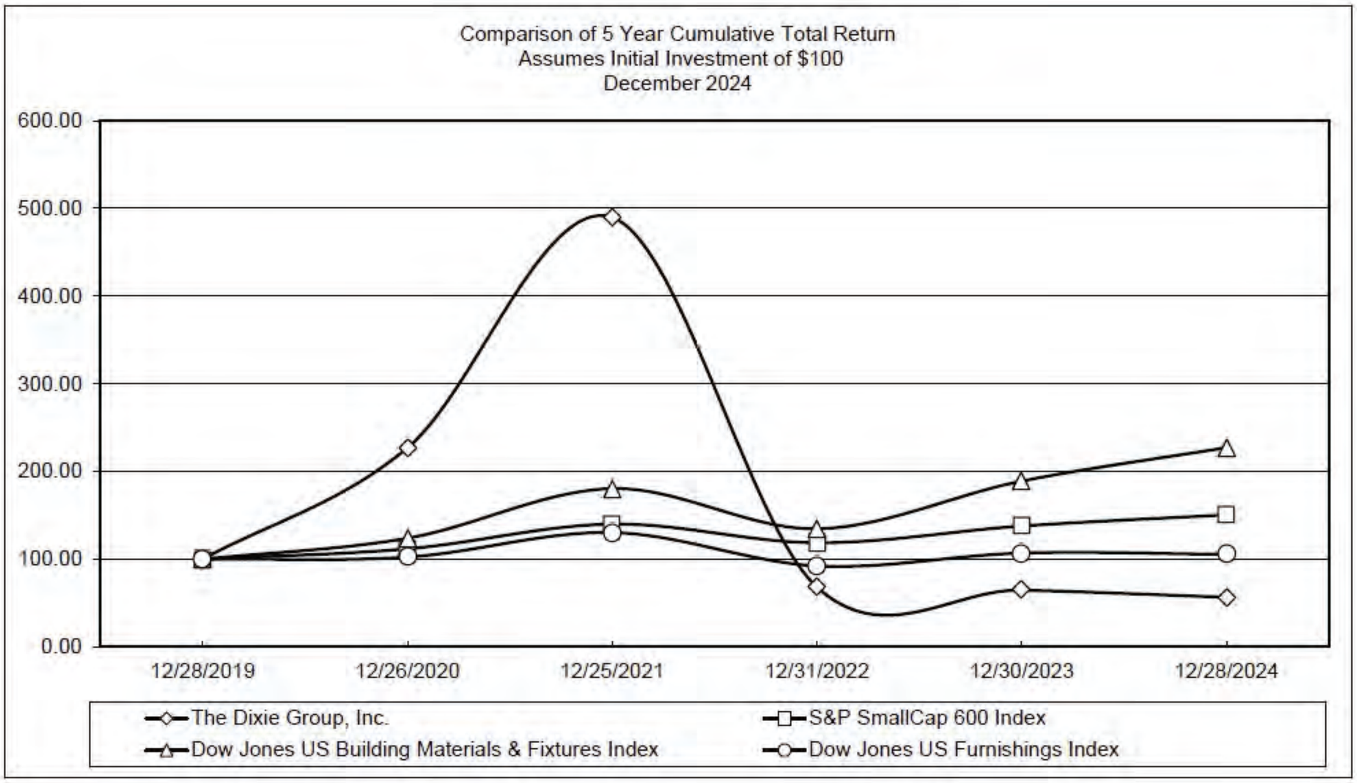
The following table provides the price range of common stock for the four fiscal quarterly periods in the years ended December 28, 2024 and December 30, 2023. Since October 3, 2024, our Common Stock has been traded on the OTC markets. Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	FISCAL QUARTER			
2024	1ST	2ND	3RD	4TH
Common Stock Prices:				
High	$ 0.74	$ 1.00	$ 0.94	$ 1.05
Low	0.50	0.47	0.54	0.45
2023	1ST	2ND	3RD	4TH
Common Stock Prices:				
High	$ 1.06	$ 1.36	$ 1.34	$ 0.98
Low	0.70	0.67	0.62	0.46

Shareholder Return Performance Presentation

We compare our performance to two different industry indices published by Dow Jones, Inc. The first of these is the Dow Jones US Furnishings Index, which is composed of publicly traded companies classified by Dow Jones in the furnishings industry. The second is the Dow Jones US Building Materials & Fixtures Index, which is composed of publicly traded companies classified by Dow Jones in the building materials and fixtures industry.

Set forth below is a line graph comparing the yearly change in the cumulative total shareholder return on our Common Stock against the total return of the Standard & Poor's Small Cap 600 Stock Index, plus both the Dow Jones US Furnishings Index and the Dow Jones US Building Materials & Fixtures Index, in each case for the five year period ended December 28, 2024. The comparison assumes that $100.00 was invested on December 28, 2019, in our Common Stock, the S&P Small Cap 600 Index, and each of the two Peer Groups, and assumes the reinvestment of dividends.



The foregoing shareholder performance presentation shall not be deemed "soliciting material" or to be "filed" with the Commission subject to Regulation 14A, or subject to the liabilities of Section 18 of the Exchange Act.

Item 6. **[RESERVED]**

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report.

OVERVIEW

Our business consists principally of marketing, manufacturing and selling floorcovering products to high-end customers through our various sales forces and brands. We focus primarily on the upper end of the floorcovering market where we believe we have strong brands and competitive advantages with our style and design capabilities and customer relationships. Our Fabrica, Masland, DH Floors and TRUCOR brands have a significant presence in the high-end residential floorcovering markets. Dixie International sells all of our brands outside of the North American market.

Our business is sensitive to macroeconomic events in the United States. High interest rates, delayed consumer discretionary spending due to inflationary pressures, and other macroeconomic factors continue to impact new home construction and residential renovation and remodeling activity. Residential remodeling is a primary sales driver of flooring products, and most flooring is replaced before a home is listed for sale or just after a home purchase is completed. The current housing market conditions have suppressed remodeling activity as home sales remain soft. Housing turnover rates remain suppressed due to high home mortgage rates and consumers continue to face a higher cost of living and delay discretionary spending on large durable goods purchases such as flooring. We have, to some extent, offset the impact of a soft housing market and decreased renovation activity through cost containment, productivity and lower input costs. Due to low housing availability, aging stock and greater household formation, we believe demand in our markets will accelerate when interest rates decline. We believe that a number of circumstances may continue to influence trends in 2025, including the impact of inflation and high interest rates, but the extent and duration of such impact cannot be predicted.

Nasdaq Marketplace Rule 5550(a)(2) requires that, for continued listing on the exchange, we must maintain a minimum bid price of $1 per share. We received notice from Nasdaq on September 27, 2023 that our closing bid price was below $1 per share for 30 consecutive business days. We requested, and were granted, an additional 180 calendar days from March 25, 2024 to September 24, 2024 to meet the applicable minimum bid price requirement. On September 24, 2024, the Company received a letter from Nasdaq notifying the Company that it had not regained compliance with the bid price requirement by the required compliance date and, as a result, the Company's Common Stock was subject to delisting. Effective at the opening of business on October 3, 2024, our Common Stock was suspended and delisted from Nasdaq and began trading on the Over-the-Counter Market pink sheets under the stock symbol DXYN. Effective October 4, 2024, we were upgraded to the Over-the-Counter OTCQB Market ("the OTCQB") trading under the same symbol DXYN. On February 12, 2025, Nasdaq filed a Form 25 with the SEC notifying the SEC of Nasdaq's determination to remove our securities from listing on Nasdaq. The delisting was effective February 21, 2025.

RESULTS OF OPERATIONS

Fiscal Year Ended December 28, 2024 Compared with Fiscal Year Ended December 30, 2023

	Fiscal Year Ended (amounts in thousands)					
	December 28, 2024	% of Net Sales	December 30, 2023	% of Net Sales	Increase (Decrease)	% Change
Net sales	$ 265,026	100.0 %	$ 276,343	100.0 %	$ (11,317)	(4.1)%
Cost of sales	199,515	75.3 %	202,464	73.3 %	(2,949)	(1.5)%
Gross profit	65,511	24.7 %	73,879	26.7 %	(8,368)	(11.3)%
Selling and administrative expenses	69,850	26.4 %	74,136	26.8 %	(4,286)	(5.8)%
Other operating (income) expense, net	200	— %	(9,172)	(3.3)%	9,372	(102.2)%
Facility consolidation and severance expenses, net	1,327	0.5 %	3,867	1.4 %	(2,540)	(65.7)%
Operating income (loss)	(5,866)	(2.2)%	5,048	1.8 %	(10,914)	(216.2)%
Interest expense	6,380	2.4 %	7,217	2.6 %	(837)	(11.6)%
Other (income) expense, net	(7)	— %	(431)	(0.2)%	424	(98.4)%
Loss from continuing operations before taxes	(12,239)	(4.6)%	(1,738)	(0.6)%	(10,501)	604.2 %
Income tax provision (benefit)	(29)	— %	214	0.1 %	(243)	(113.6)%
Loss from continuing operations	(12,210)	(4.6)%	(1,952)	(0.7)%	(10,258)	525.5 %
Loss from discontinued operations, net of tax	(790)	(0.3)%	(766)	(0.3)%	(24)	3.1 %
Net loss	$ (13,000)	(4.9)%	$ (2,718)	(1.0)%	$ (10,282)	378.3 %

Net Sales. Net sales for the year ended December 28, 2024 were $265.0 million compared with $276.3 in the prior period, a decrease of 4.1% for the year-over-year comparison. The lower net sales were attributed to lower demand within the floorcovering industry and related markets driven by continued high interest rates and inflation.

Gross Profit. Gross profit, as a percentage of net sales, decreased 2.0 percentage points in 2024 compared with 2023. The decrease in gross profit percentage in 2024 was primarily driven by lower sales volume, higher healthcare and utility costs and additional lease expense due to the sale and leaseback of the Adairsville distribution center in December 2023.

Selling and Administrative Expenses. Selling and administrative expenses were $69.9 million in 2024 compared with $74.1 million in 2023. Selling and administrative expenses as a percent of the net sales for 2024 and 2023 were 26.4% and 26.8% respectively. The decrease in selling and administrative expenses was primarily due to lower samples and marketing costs in 2024 compared to 2023 and lower administrative compensation expenses in 2024 compared to 2023.

Other Operating (Income) Expense, Net. Net other operating (income) expense was an expense of $200 thousand in 2024 compared with income of $9.2 million in 2023. In 2023, we completed a sale and leaseback of our Adairsville, Georgia distribution center resulting in a gain of $8.2 million. In addition, we leased out excess space in our Saraland, Alabama facility and our Atmore, Alabama facility resulting in a net lease expense of $113 thousand in 2024 compared with lease income of $705 thousand in 2023. In 2024, we allocated expenses associated with the leases to other operating expense which was netted with the lease income.

Facility Consolidation and Severance Expenses, Net. Facility consolidation expenses were $1.3 million in 2024 compared with $3.9 million in 2023. The facility consolidation expenses incurred during 2024 and 2023 were primarily related to our plan for the consolidation of our east coast manufacturing to better align our production capacity with our sales volume and concentrate production into our lower cost facility.

Operating Income (Loss). The operating loss in 2024 was $5.9 million compared to an operating income of $5.0 million in 2023. In 2024, we had higher healthcare, utility and rent costs which were offset by lower selling and administrative expenses. The operating income in 2023 included a gain of $8.2 million from the sale and leaseback of our Adairsville, Georgia distribution center.

Interest Expense. Interest expense was $6.4 million in 2024 compared with $7.2 million in 2023. The decrease is the result of lower levels of debt through out 2024 compared to 2023 due to the sale of the Adairsville, Georgia distribution center in December 2023.

Other Income, Net. Net other income was income of $7 thousand in 2024 compared with income of $431 thousand in 2023. The 2023 income included a gain of $625 thousand related to an extinguishment of a debt arrangement offset by an expense of $206 thousand related to the write-off of previously deferred financing costs related to our Adairsville, Georgia note payable.

Income Tax Provision (Benefit). Our effective income tax rate was a benefit of 0.2% in 2024. The provision relates to federal and state cash taxes paid offset by certain federal and state credits. In 2024, we increased our valuation allowance by $3.8 million related to our net deferred tax asset and specific federal and state net operating losses and federal and state tax credit carryforwards.

Our effective income tax rate was a provision of 12.3% in 2023. The provision relates to federal and state cash taxes paid offset by certain federal and state credits. In 2023, we decreased our valuation allowance by $384 thousand related to our net deferred tax asset and specific federal and state net operating losses and federal and state tax credit carryforwards.

Net Loss. Continuing operations reflected a loss of $12.2 million, or $0.83 per diluted share in 2024, compared with a loss from continuing operations of $2.0 million, or $0.13 per diluted share in 2023. Our discontinued operations reflected a loss of $790 thousand, or $0.05 per diluted share in 2024 compared with a loss of $766 thousand, or $0.05 per diluted share in 2023. Including discontinued operations, we had a net loss of $13.0 million, or $0.88 per diluted share, in 2024 compared with net loss of $2.7 million, or $0.18 per diluted share, in 2023.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

During the year ended December 28, 2024, cash provided by continuing operations was $3.6 million. A reduction in inventories generated $9.4 million offset by a $618 thousand decrease in accounts payable and accrued expenses.

Net cash used in investing activities was $2.0 million during the year ended December 28, 2024. This amount was primarily the result of purchases of property, plant and equipment of $2.1 million.

During the year ended December 28, 2024, cash used in financing activities was $1.3 million. We had net borrowings of $2.4 million on the revolving credit facility. We had payments of $1.9 million on building and other term loans and payments on notes payable, net of borrowings was $1.1 million and payments on finance leases of $70 thousand. We had repurchases of our Common Stock that resulted in cash used of $585 thousand.

Nasdaq Marketplace Rule 5550(a)(2) requires that, for continued listing on the exchange, we must maintain a minimum bid price of $1 per share. We received notice from Nasdaq on September 27, 2023 that our closing bid price was below $1 per share for 30 consecutive business days. We requested, and were granted, an additional 180 calendar days from March 25, 2024 to September 24, 2024 to meet the applicable minimum bid price requirement. On September 24, 2024, the Company received a letter from Nasdaq notifying the Company that it had not regained compliance with the bid price requirement by the required compliance date and, as a result, the Company's Common Stock was subject to delisting. Effective at the opening of business on October 3, 2024, our Common Stock was suspended and delisted from Nasdaq and began trading on the Over-the-Counter Market pink sheets under the stock symbol DXYN. Effective October 4, 2024, we were upgraded to the Over-the-Counter OTCQB Market ("the OTCQB") trading under the same symbol DXYN. On February 12, 2025, Nasdaq filed a Form 25 with the SEC notifying the SEC of Nasdaq's determination to remove our securities from listing on Nasdaq. The delisting was effective February 21, 2025. Our delisting from Nasdaq could make it more difficult for us to raise additional capital if needed.

As described in Note 9 to the consolidated financial statements, we had $50.0 million of outstanding indebtedness under our senior credit facility as of December 28, 2024 which matures on October 30, 2025. As of the date of our financial statements, our existing cash and cash equivalents were not sufficient to satisfy this debt in whole and meet our operating needs for at least one year after the issuance of these financial statements. Subsequent to the reporting date, we refinanced our senior credit facility. On February 25, 2025, we entered into a new three-year $75.0 million senior secured credit facility with MidCap Financial IV Trust. Our new facility requires compliance with financial covenants on a monthly basis - See Note 22 to the consolidated financial statements for additional information regarding our debt refinancing.

We have evaluated our liquidity position over the next twelve months. In our evaluation we considered the impact of past operating losses on our liquidity position, the continuing impact of cost reductions implemented under our East Coast Consolidation Plan, lower planned sample investments, additional cost savings expected to be generated from the operations of our extrusion equipment and other cost reductions. We believe, after having reviewed various financial scenarios, our operating cash flows, credit availability under our revolving credit facility and other sources of financing are adequate to finance our anticipated liquidity requirements under current operating conditions. However, our current forecast projects we may not be able to maintain compliance with certain of our financial covenants under our loan agreements. We have been able to obtain waivers in the past for such violations but it cannot be assured that such waivers will be obtained in the future. Refer to Note 1 in our consolidated financial statements for detail regarding our assessment as a going concern.

Availability under our MidCap Financial Senior Secured Revolving Credit Facility on February 25, 2025 was $8.1 million which is subject to a $6.0 million minimum excess availability requirement. Significant additional cash expenditures above our normal liquidity requirements, significant deterioration in economic conditions or continued operating losses could affect our business and require supplemental financing or other funding sources.

Debt Facilities

Fifth Third Bank Revolving Credit Facility. On October 30, 2020, we entered into a $75.0 million Senior Secured Revolving Credit Facility with Fifth Third Bank National Association as lender. The loan is secured by a first priority security interest on all accounts receivable, cash, and inventory, and provides for borrowing limited by certain percentages of values of the accounts receivable and inventory. The revolving credit facility matures on October 30, 2025. On February 25, 2025, we entered into a new three-year $75,000 senior secured credit facility with MidCap Financial IV Trust. See Note 22 for more information regarding the debt refinancing.

At our election, advances of the existing revolving credit facility bear interest at annual rates equal to either (a) SOFR (plus a 0.10% SOFR adjustment) for 1 or 3 month periods, as defined with a floor of 0.75% or published SOFR and previously LIBOR, plus an applicable margin ranging between 1.50% and 2.00%, or (b) the higher of the prime rate plus an applicable margin ranging between 0.50% and 1.00%. The applicable margin is determined based on availability under the revolving credit facility with margins increasing as availability decreases. The applicable margin can be increased by 0.50% if the fixed charge coverage ratio is below a 1.10 to 1.00 ratio. As of December 28, 2024, the applicable margin on our revolving credit facility was 2.50% for SOFR and 1.50% for Prime due to the fixed charge coverage ratio being below 1.10 to 1.00. We pay an unused line fee on the average amount by which the aggregate commitments exceed utilization of the revolving credit facility equal to 0.25% per annum. The weighted-average interest rate on borrowings outstanding under the revolving credit facility was 7.18% at December 28, 2024 and 8.15% for December 30, 2023.

The agreement is subject to customary terms and conditions and annual administrative fees with pricing varying on excess availability and a fixed charge coverage ratio. The agreement is also subject to certain compliance, affirmative, and financial covenants. We are only subject to the financial covenants if borrowing availability is less than $8.0 million, which is equal to 12.5% of the lesser of the total loan availability of $75.0 million or total collateral available, and remains until the availability is greater than 12.5% for thirty consecutive days. As of December 28, 2024, the unused borrowing availability under the revolving credit facility was $9.9 million.

Term Loans. Effective October 28, 2020, we entered into a $10.0 million principal amount USDA Guaranteed term loan with AmeriState Bank as lender. The term of the loan is 25 years and bears interest at a minimum 5.00% rate or 4.00% above 5-year treasury, to be reset every 5 years at 3.5% above 5-year treasury. The loan is secured by a first mortgage on our Atmore, Alabama and Roanoke, Alabama facilities. The loan requires certain compliance, affirmative, and financial covenants and, as of the reporting date, we are in compliance with or have received waivers for all such financial covenants.

Effective October 29, 2020, we entered into a $15.0 million principal amount USDA Guaranteed term loan with the Greater Nevada Credit Union as lender. The term of the loan is 10 years and bears interest at a minimum 5.00% rate or 4.00% above 5-year treasury, to be reset after 5 years at 3.5% above 5-year treasury. Payments on the loan are interest only over the first three years and principal and interest over the remaining seven years. The loan is secured by a first lien on a substantial portion of our machinery and equipment, a certificate of deposit and a second lien on our Atmore and Roanoke facilities. The loan requires certain compliance, affirmative, and financial covenants and, as of the reporting date, we are in compliance with or have received waivers for all such financial covenants.

Notes Payable - Other. On January 14, 2019, we entered into a purchase and sale agreement (the “Purchase and Sale Agreement”) with Saraland Industrial, LLC, an Alabama limited liability company (the “Purchaser”). Pursuant to the terms of the Purchase and Sale Agreement, we sold our Saraland facility, and approximately 17.12 acres of surrounding property located in Saraland, Alabama (the “Property”) to the Purchaser for a purchase price of $11.5 million. Concurrent with the sale of the Property, we and the Purchaser entered into a twenty-year lease agreement (the “Lease Agreement”), whereby we leased back the Property at an annual rental rate of $977 thousand, subject to annual rent increases of 1.25%. Under the Lease Agreement, we have two (2) consecutive options to extend the term of the Lease by ten years for each such option. This transaction was recorded as a failed sale and leaseback. We recorded a liability for the amounts received, continued to depreciate the asset, and imputed an interest rate so that the net carrying amount of the financial liability and remaining assets will be zero at the end of the lease term.

Our other financing notes have terms up to 1 year, bear interest ranging from 6.50% to 6.75% and are due in monthly installments through their maturity dates. Our other notes do not contain any financial covenants.

Finance Lease Obligations. Our finance lease obligations are due in monthly installments through their maturity dates. Our finance lease obligations are secured by the specific equipment leased. (See Note 9 to our Consolidated Financial Statements).

Stock-Based Awards

We recognize compensation expense related to share-based stock awards based on the fair value of the equity instrument over the period of vesting for the individual stock awards that were granted. At December 28, 2024, the total unrecognized compensation expense related to unvested restricted stock awards was $868 thousand with a weighted-average vesting period of 7.0 years.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements at December 28, 2024 or December 30, 2023.

Income Tax Considerations

For the year ended December 28, 2024, we increased our valuation allowances by $3.8 million related to our net deferred tax asset and specific federal and state net operating losses and federal and state credit carryforwards.

During 2025 and 2026, we do not anticipate cash outlays for income taxes to exceed $200 thousand. This is due to our tax loss carryforwards and tax credit carryforwards that will be used to partially offset taxable income. At December 28, 2024, we were in a net deferred tax liability position of $91 thousand, which was included in other long-term liabilities in our Consolidated Balance Sheets.

Discontinued Operations - Environmental Contingencies

We have reserves for environmental obligations established at four previously owned sites that were associated with our discontinued textile businesses. We have a reserve of $2.2 million for environmental liabilities at these sites as of December 28, 2024. The liability established represents our best estimate of loss and is the reasonable amount to which there is any meaningful degree of certainty given the periods of estimated remediation and the dollars applicable to such remediation for those periods. The actual timeline to remediate, and thus, the ultimate cost to complete such remediation through these remediation efforts, may differ significantly from our estimates. Pre-tax cost for environmental remediation obligations classified as discontinued operations were primarily a result of specific events requiring action and additional expense in each period.

Fair Value of Financial Instruments

At December 28, 2024, we had no assets or liabilities measured at fair value that fall under a level 3 classification in the hierarchy (those subject to significant management judgment or estimation).

Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements of this Form 10-K for a discussion of new accounting pronouncements which is incorporated herein by reference.

Critical Accounting Policies

Certain estimates and assumptions are made when preparing our consolidated financial statements. Estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict. As a result, actual amounts could differ from estimates made when our financial statements are prepared.

The Securities and Exchange Commission requires management to identify its most critical accounting policies, defined as those that are both most important to the portrayal of our financial condition and operating results and the application of which requires our most difficult, subjective, and complex judgments. Although our estimates have not differed materially from our experience, such estimates pertain to inherently uncertain matters that could result in material differences in subsequent periods.

We believe application of the following accounting policies require significant judgments and estimates and represent our critical accounting policies. Other significant accounting policies are discussed in Note 1 to our Consolidated Financial Statements.

- **Revenue recognition.** We derive our revenues primarily from the sale of floorcovering products and processing services. Revenues are recognized when control of these products or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those products and services. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. When we transfer control of our products to the customer prior to the related shipping and handling activities, we have adopted a policy of accounting for shipping and handling activities as a fulfillment cost rather than a performance obligation. Incidental items that are immaterial in the context of the contract are recognized as expense. While we pay sales commissions to certain personnel, we have not capitalized these costs as costs to obtain a contract as we have elected to expense costs as incurred when the expected amortization period is one year or less. We do not have any significant financing components as payment is received at or shortly after the point of sale. We determine revenue recognition through the following steps:

    - Identification of the contract with a customer
    - Identification of the performance obligations in the contract
    - Determination of the transaction price
    - Allocation of the transaction price to the performance obligations in the contract
    - Recognition of revenue when, or as, the performance obligation is satisfied

- **Variable Consideration.** The nature of our business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price, which reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns, or price concessions.

    Variable consideration is estimated at the most likely amount using a portfolio approach that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

- **Customer claims and product warranties.** We generally provide product warranties related to manufacturing defects and specific performance standards for our products for a period of up to two years. We accrue for estimated future assurance warranty costs in the period in which the sale is recorded. The costs are included in Cost of Sales in the Consolidated Statements of Operations and the product warranty reserve is included in accrued expenses in the Consolidated Balance Sheets. We calculate our accrual using the portfolio approach based upon historical experience and known trends. We do not provide an additional service-type warranty.

- **Inventories.** Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out method (LIFO), which generally matches current costs of inventory sold with current revenues, for substantially all inventories. Reserves are also established to adjust inventories that are off-quality, aged or obsolete to their lower of cost or market. Additionally, rates of recoverability per unit of off-quality, aged or obsolete inventory are estimated based on historical rates of recoverability and other known conditions or circumstances that may affect future recoverability. Actual results could differ from assumptions used to value our inventory.

- **Self-insured accruals.** We estimate costs required to settle claims related to our self-insured medical, dental and workers' compensation plans. These estimates include costs to settle known claims, as well as incurred and unreported claims. The estimated costs of known and unreported claims are based on historical experience. Actual results could differ from assumptions used to estimate these accruals.

- **Income taxes.** Our effective tax rate is based on income, statutory tax rates and tax planning opportunities available in the jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. We evaluate the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that we are not able to realize all or a portion of our deferred tax assets in the future, a valuation allowance is provided. We recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. We had valuation allowances of $24.7 million at December 28, 2024 and $21.0 million at December 30, 2023. At December 28, 2024, we were in a net deferred tax liability position of $91 thousand. For further information regarding our valuation allowances, see Note 13 to the Consolidated Financial Statements.

- **Loss contingencies.** We routinely assess our exposure related to legal matters, environmental matters, product liabilities or any other claims against our assets that may arise in the normal course of business. If we determine that it is probable a loss has been incurred, the amount of the loss, or an amount within the range of loss, that can be reasonably estimated will be recorded.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Dollars in thousands)

Our earnings, cash flows and financial position are exposed to market risks relating to interest rates, among other factors. It is our policy to minimize our exposure to adverse changes in interest rates and manage interest rate risks inherent in funding our Company with debt. We address this financial exposure through a risk management program that includes maintaining a mix of fixed and floating rate debt and the occasional use of interest rate swap agreements.

At December 28, 2024, $71,960, or approximately 86% of our total debt, was subject to floating interest rates. A one-hundred basis point fluctuation in the variable interest rates applicable to this floating rate debt would have an annual pre-tax impact of approximately $720. Included in the $71,960, is the amount outstanding for term loans of $21,960. Both loans are currently set to bear interest of 5% for five years. Every five years, these rates will be reset to reflect the then current 5-year treasury rate plus a margin. A one-hundred basis point fluctuation in the interest rates applicable to the term loans debt would have an annual pre-tax impact of approximately $220. See Note 9 for further discussion of these loans.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such terms are defined in Rules 13(a)-15(e) and 15(d)-15(e)) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 28, 2024, the date of the financial statements included in this Form 10-K (the "Evaluation Date"). Based on that evaluation, our CEO and CFO concluded that, as of the Evaluation Date, that due to the existence of a material weakness in our internal control over financial reporting described below, that our disclosure controls and procedures were not effective. However, giving full consideration to the deficiency, we have concluded that that the Consolidated Financial Statements included in this annual report present fairly, in all material respects our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. generally accepted principles.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures, as well as diverse interpretation of U. S. generally accepted accounting principles by accounting professionals. It is also possible that internal control over financial reporting can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. These inherent limitations are known features of the financial reporting process; therefore, while it is possible to design into the process safeguards to reduce such risk, it is not possible to eliminate all risk.

Management, including our principal executive officer and principal financial officer, has used the criteria set forth in the report entitled *"Internal Control - Integrated Framework"* published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) to evaluate the effectiveness of its internal control over financial reporting. Management has concluded that, during the period covered by this Report, its internal control over financial reporting was not effective as of December 28, 2024, based on those criteria.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis. During our assessment of internal control over financial reporting as of December 28, 2024, we identified the following material weaknesses:

- Inadequate presentation and disclosure requirements of debt - Our revolving credit facility required a reclassification to a current liability as the refinanced credit facility subsequent to year-end included a subjective acceleration clause and lockbox arrangement which required the financial statement presentation as current. We originally calculated a covenant in a method that differed from the contractual terms, which is included in the our going concern assessment. In preparing the fair value of debt disclosure, we did not formally re-evaluate our credit rating. With the refinance of the revolving credit facility, we had an observable transaction to provide supporting evidence. The current conditions and this transaction indicated a credit rating that was different than was originally used by us and resulted in a re-evaluation of our credit rating used and an adjustment to the disclosure.

- Inadequate evidence of a formal evaluation of lessor accounting - We did not retain a formal assessment of our lessor lease classification evaluation, and associated support, for the operating lease classification determinations under Topic 842 for a lease arrangement. We subsequently performed procedures that included a valuation for the net present value considerations. While the subsequent procedures did not change the lease classification determination, the change in presentation, if necessary, would have resulted in a materially different accounting result.

Remediation Efforts

We are committed to maintaining a strong internal control environment. In response to the material weaknesses described above, we will enhance our processes to evaluate and review debt transactions as it relates to the presentation and disclosure requirements of debt by designating an individual to be responsible for the review who has the expertise in these matters or will consult with outside professionals with the expertise. In addition, the designated individual will perform the necessary formal documentation as it relates to lessor accounting transactions. We continue to evaluate and work to improve our disclosure controls and procedures and internal control over financial reporting. We plan to continue the implementation of these and other remediation efforts to address the identified material weaknesses in the future.

Changes in Internal Control over Financial Reporting

Other than the material weaknesses and the remediation plan described above, there were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The section entitled "Information about Nominees for Director" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 7, 2025 is incorporated herein by reference. Information regarding the executive officers of the registrant is presented in PART I of this report.

We adopted a Code of Business Conduct and Ethics (the "Code of Ethics") which applies to our principal executive officer, principal financial officer and principal accounting officer or controller, and any persons performing similar functions. A copy of the Code of Ethics is incorporated by reference herein as Exhibit 14 to this report.

We adopted insider trading policies and procedures governing transactions in our securities that are designed to promote compliance with applicable insider trading laws, rules and regulations. A copy of the policy is incorporated by reference therein as Exhibit 19.1 to this report.

Audit Committee Financial Expert

The Board has determined that Michael L. Owens is an audit committee financial expert as defined by Item 407 (e)(5) of Regulation S-K of the Securities Exchange Act of 1934, as amended, and is independent within the meaning of the applicable Securities and Exchange Commission rules and NASDAQ standards. For a brief listing of Mr. Owens' relevant experience, please refer to the "Election of Directors" section of the Company's Proxy Statement.

Audit Committee

We have a standing audit committee. At December 28, 2024, members of our audit committee are Michael L. Owens, Chairman, William F. Blue, Jr., Charles E. Brock, and Hilda S. Murray.

Item 11. EXECUTIVE COMPENSATION

The sections entitled "Compensation Discussion and Analysis", "Executive Compensation Information" and "Director Compensation" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 7, 2025 are incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The section entitled "Principal Shareholders", as well as the beneficial ownership table (and accompanying notes), in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 7, 2025 are incorporated herein by reference.

Equity Compensation Plan Information as of December 28, 2024

The following table sets forth information as to our equity compensation plans as of the end of the 2024 fiscal year:

Plan Category	(a) Number of securities to be issued upon exercise of the outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans approved by security holders	473,819 (1)	$ 1.59 (2)	619,000 (3)

(1) Includes the options to purchase 381,000 shares of Common Stock under our Omnibus Equity Incentive Plan and 92,819 Performance Units issued under the 2016 Incentive Compensation Plan, each unit being equivalent to one share of Common Stock. Does not include shares of Common Stock issued but not vested pursuant to outstanding restricted stock awards.

(2) Includes the aggregate weighted-average of (i) the exercise price per share for outstanding options to purchase 381,000 shares of Common Stock under our Omnibus Equity Incentive Plan and (ii) the price per share of the Common Stock on the grant date for each of 92,819 Performance Units issued under the 2016 Incentive Compensation Plan (each unit equivalent to one share of Common Stock).

(3) Includes 224,351 shares remaining to be issued under the 2016 Incentive Compensation Plan and 394,649 shares remaining to be issued under the Omnibus Equity Incentive Plan.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The sections entitled "Certain Transactions Between the Company and Directors and Officers" and "Independent Directors" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 7, 2025 are incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The section entitled "Audit Fees Discussion" in the Proxy Statement of the Registrant for the Annual Meeting of Shareholders to be held May 7, 2025 is incorporated herein by reference. The independent registered public accounting firm is Forvis Mazars, LLP (PCAOB Firm ID No. 686) located in Atlanta, Georgia.

PART IV.

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements - The response to this portion of Item 15 is submitted as a separate section of this report.
(2) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate section of this report.
(3) Exhibits - Please refer to the Exhibit Index which is attached hereto.

(b) Exhibits - The response to this portion of Item 15 is submitted as a separate section of this report. See Item 15(a)(3) above.

(c) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate section of this report. See Item 15(a)(2).

Item 16. FORM 10-K SUMMARY

None.

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.

Date: April 7, 2025

The Dixie Group, Inc.

/s/ DANIEL K. FRIERSON

By: Daniel K. Frierson

Chairman of the Board
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.

Signature	Capacity	Date
/s/ DANIEL K. FRIERSON Daniel K. Frierson	Chairman of the Board, Director and Chief Executive Officer	April 7, 2025
/s/ ALLEN L. DANZEY Allen L. Danzey	Vice President, Chief Financial Officer	April 7, 2025
/s/ D. KENNEDY FRIERSON, JR. D. Kennedy Frierson, Jr.	Vice President, Chief Operating Officer and Director	April 7, 2025
/s/ WILLIAM F. BLUE, JR. William F. Blue, Jr.	Director	April 7, 2025
/s/ CHARLES E. BROCK Charles E. Brock	Director	April 7, 2025
/s/ HILDA S. MURRAY Hilda S. Murray	Director	April 7, 2025
/s/ MICHAEL L. OWENS Michael L. Owens	Director	April 7, 2025

ANNUAL REPORT ON FORM 10-K

ITEM 8 AND ITEM 15(a)(1) AND ITEM 15(a)(2)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 28, 2024

THE DIXIE GROUP, INC.

DALTON, GEORGIA

FORM 10-K - ITEM 8 and ITEM 15(a)(1) and (2)

THE DIXIE GROUP, INC. AND SUBSIDIARIES

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements and financial statement schedules of The Dixie Group, Inc. and subsidiaries are included in Item 8 and Item 15(a)(1) and 15(c):

Table of Contents	Page
Report of independent registered public accounting firm	29
Consolidated balance sheets - December 28, 2024 and December 30, 2023	31
Consolidated statements of operations - Years ended December 28, 2024 and December 30, 2023	32
Consolidated statements of comprehensive income (loss) - Years ended December 28, 2024 and December 30, 2023	33
Consolidated statements of cash flows - Years ended December 28, 2024 and December 30, 2023	34
Consolidated statements of stockholders' equity - Years ended December 28, 2024 and December 30, 2023	35
Notes to consolidated financial statements	35
Schedule II - Valuation and Qualifying Accounts	62

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 such schedules have been omitted.

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee of
The Dixie Group, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of The Dixie Group, Inc. (the "Company") as of December 28, 2024 and December 30, 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended December 28, 2024, and the related notes and schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2024 and December 30, 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 28, 2024, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company has identified certain conditions as relating to its outstanding debt obligations that are outside the control of the Company. In addition, the Company has generated recent losses from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Critical Audit Matter – LIFO Reserve

As disclosed in Notes 1 and 5 to the financial statements, the Company recognizes its inventory using the last-in, first-out ("LIFO") method, which requires a reserve to adjust the historical cost carrying value of inventory to the lower of LIFO or market. As of December 28, 2024, the LIFO reserve was approximately $21,553,000. There is inherent complexity in the accounting for the LIFO reserve including complex calculations based on inventory pools, changes in those pools, and lower of cost or market adjustments.

We identified the LIFO reserve as a critical audit matter. The principal considerations for that determination included the complexity of the calculations, the judgment required for market adjustments, and the nature and extent of audit effort required to address the matter.

Our audit procedures to test the appropriateness of the LIFO Reserve, among others:

- We tested the completeness of the LIFO reserve by evaluating whether all appropriate inventory items were included in the LIFO reserve calculation and in the appropriate category. This included reconciling the inventory used to calculate the LIFO reserve to the inventory subledger.
- We independently recalculated management's LIFO pool calculation, including pool increases or inventory liquidations.
- We tested the aggregation of the pools used to arrive at the LIFO reserve, and considered whether methodologies were consistently applied, or that changes, if any, were in accordance with U.S. GAAP.
- We tested a sample of inventory items and tested whether the lower of cost or market adjustments made by management were in accordance with U.S. GAAP.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2013.

Atlanta, GA
April 7, 2025

THE DIXIE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	December 28, 2024	December 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 19**	$ 79
Receivables, net of allowances for expected credit losses of $454 and $440	**23,325**	23,686
Inventories, net	**66,852**	76,211
Prepaid expenses	**5,643**	12,154
Current assets of discontinued operations	**—**	265
TOTAL CURRENT ASSETS	**95,839**	112,395
PROPERTY, PLANT AND EQUIPMENT, NET	**33,747**	31,368
OPERATING LEASE RIGHT-OF-USE ASSETS	**25,368**	28,962
OTHER ASSETS	**19,854**	17,130
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS	**1,064**	1,314
TOTAL ASSETS	**$ 175,872**	$ 191,169
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 14,884**	$ 13,935
Accrued expenses	**15,057**	16,598
Current portion of long-term debt	**53,818**	4,230
Current portion of operating lease liabilities	**3,804**	3,654
Current liabilities of discontinued operations	**1,156**	1,137
TOTAL CURRENT LIABILITIES	**88,719**	39,554
LONG-TERM DEBT, NET	**28,530**	78,290
OPERATING LEASE LIABILITIES	**22,295**	25,907
OTHER LONG-TERM LIABILITIES	**16,712**	14,591
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	**3,398**	3,536
TOTAL LIABILITIES	**159,654**	161,878
COMMITMENTS AND CONTINGENCIES (See Note 17)		
STOCKHOLDERS' EQUITY		
Common Stock ($3 par value per share): Authorized 80,000,000 shares, issued and outstanding - 13,997,446 shares for 2024 and 14,409,281 shares for 2023	**41,992**	43,228
Class B Common Stock ($3 par value per share): Authorized 16,000,000 shares, issued and outstanding - 1,249,302 shares for 2024 and 1,121,129 shares for 2023	**3,748**	3,363
Additional paid-in capital	**159,892**	159,132
Accumulated deficit	**(189,700)**	(176,700)
Accumulated other comprehensive income	**286**	268
TOTAL STOCKHOLDERS' EQUITY	**16,218**	29,291
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 175,872**	$ 191,169

See accompanying notes to the consolidated financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)

	Year Ended	
	December 28, 2024	December 30, 2023
NET SALES	**$ 265,026**	$ 276,343
Cost of sales	**199,515**	202,464
GROSS PROFIT	**65,511**	73,879
Selling and administrative expenses	**69,850**	74,136
Other operating (income) expense, net	**200**	(9,172)
Facility consolidation and severance expenses, net	**1,327**	3,867
OPERATING INCOME (LOSS)	**(5,866)**	5,048
Interest expense	**6,380**	7,217
Other income, net	**(7)**	(431)
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	**(12,239)**	(1,738)
Income tax provision (benefit)	**(29)**	214
LOSS FROM CONTINUING OPERATIONS	**(12,210)**	(1,952)
Loss from discontinued operations, net of tax	**(790)**	(766)
NET LOSS	**$ (13,000)**	$ (2,718)
BASIC EARNINGS (LOSS) PER SHARE:		
Continuing operations	**$ (0.83)**	$ (0.13)
Discontinued operations	**(0.05)**	(0.05)
Net loss	**$ (0.88)**	$ (0.18)
BASIC SHARES OUTSTANDING	**14,639**	14,783
DILUTED EARNINGS (LOSS) PER SHARE:		
Continuing operations	**$ (0.83)**	$ (0.13)
Discontinued operations	**(0.05)**	(0.05)
Net loss	**$ (0.88)**	$ (0.18)
DILUTED SHARES OUTSTANDING	**14,639**	14,783
DIVIDENDS PER SHARE:		
Common Stock	**$ —**	$ —
Class B Common Stock	**—**	—

See accompanying notes to the consolidated financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(amounts in thousands)

	Year Ended	
	December 28, 2024	December 30, 2023
NET LOSS	**$ (13,000)**	$ (2,718)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrecognized net actuarial gain on postretirement benefit plans	**52**	75
Income taxes	**—**	—
Unrecognized net actuarial gain on postretirement benefit plans, net	**52**	75
Reclassification of net actuarial gain into earnings from postretirement benefit plans (1)	**(34)**	(26)
Income taxes	**—**	—
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net	**(34)**	(26)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**18**	49
COMPREHENSIVE LOSS	**$ (12,982)**	$ (2,669)

(1) Amounts for postretirement plans reclassified from accumulated other comprehensive income to net loss were included in selling and administrative expenses in the Company's Consolidated Statements of Operations.

See accompanying notes to the consolidated financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Year Ended	
	December 28, 2024	December 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	**$ (12,210)**	$ (1,952)
Loss from discontinued operations	**(790)**	(766)
Net loss	**(13,000)**	(2,718)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**6,542**	7,331
Net gain loss on property, plant and equipment disposals	**(24)**	(8,198)
Impairment of assets	**238**	—
Stock-based compensation expense	**494**	687
Expense for expected credit losses	**194**	31
Net gain on extinguishment of debt	**—**	(419)
Changes in operating assets and liabilities:		
Receivables	**167**	1,094
Inventories	**9,359**	7,488
Prepaid and other current assets	**(20)**	(1,987)
Accounts payable and accrued expenses	**(618)**	(506)
Other operating assets and liabilities	**(496)**	645
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3,626**	4,214
NET CASH USED IN OPERATING ACTIVITIES - DISCONTINUED OPERATIONS	**(394)**	(1,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sales of property, plant and equipment	**60**	16,055
Purchase of property, plant and equipment	**(2,094)**	(980)
Joint venture capital distributions	**43**	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(1,991)**	15,075
NET CASH PROVIDED BY INVESTING ACTIVITIES - DISCONTINUED OPERATIONS	**—**	8
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on revolving credit facility	**2,381**	(4,175)
Payments on notes payable - buildings and other term loans	**(1,915)**	(11,424)
Borrowings on notes payable - other	**1,453**	1,542
Payments on notes payable - other	**(2,591)**	(2,364)
Payments on finance leases	**(70)**	(256)
Change in outstanding checks in excess of cash	**26**	(1,266)
Repurchases of Common Stock	**(585)**	(43)
NET CASH USED IN FINANCING ACTIVITIES	**(1,301)**	(17,986)
DECREASE IN CASH AND CASH EQUIVALENTS	**(60)**	(284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**79**	363
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 19**	$ 79
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	**$ 6,195**	$ 7,020
Income taxes paid, net of (tax refunds)	**94**	(786)
Right-of-use assets obtained in exchange for new operating lease	**411**	10,765
Equipment purchased under finance leases	**395**	133
Commission accrued on sale of building	**—**	433
Deposits utilized on purchased equipment, net	**6,530**	—

See accompanying notes to the consolidated financial statements.

THE DIXIE GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands, except share data)

	Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2022	**$ 43,360**	**$ 3,388**	**$ 158,331**	**$ (173,784)**	**$ 219**	**$ 31,514**
Repurchases of Common Stock - 55,994 shares	(168)	—	125	—	—	(43)
Restricted stock grants issued - 55,000 shares	165	—	(165)	—	—	—
Restricted stock grants forfeited - 51,220 shares	(154)	—	107	—	—	(47)
Class B converted into Common Stock- 8,029 shares	25	(25)	—	—	—	—
Stock-based compensation expense	—	—	734	—	—	734
Net loss	—	—	—	(2,718)	—	(2,718)
Cumulative effect of CECL adoption	—	—	—	(198)	—	(198)
Other comprehensive income	—	—	—	—	49	49
Balance at December 30, 2023	**$ 43,228**	**$ 3,363**	**$ 159,132**	**$ (176,700)**	**$ 268**	**$ 29,291**
Common Stock issued - 37,501 shares	113	—	(113)	—	—	—
Repurchases of Common Stock - 732,888 shares	(2,199)	—	1,614	—	—	(585)
Restricted stock grants issued - 443,537 shares	928	403	(1,331)	—	—	—
Restricted stock grants forfeited - 31,812 shares	(96)	—	96	—	—	—
Class B converted into Common Stock - 5,980 shares	18	(18)	—	—	—	—
Stock-based compensation expense	—	—	494	—	—	494
Net loss	—	—	—	(13,000)	—	(13,000)
Other comprehensive income	—	—	—	—	18	18
Balance at December 28, 2024	**$ 41,992**	**$ 3,748**	**$ 159,892**	**$ (189,700)**	**$ 286**	**$ 16,218**

See accompanying notes to the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The Company's businesses consist principally of marketing, manufacturing and selling finished carpet, rugs, luxury vinyl flooring and engineered wood flooring in the domestic floorcovering market. Additionally, the Company provides manufacturing support to its carpet businesses through its separate processing operations.

Basis of Presentation

The Consolidated Financial Statements include the accounts of The Dixie Group, Inc. and its wholly-owned subsidiaries (the "Company") and have been prepared in accordance with U.S. GAAP on the going concern basis of accounting, which assumes the Company will continue to operate as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. All intercompany balances and transactions have been eliminated in consolidation.

Unless specifically noted otherwise, footnote disclosures reflect the results of continuing operations only. The results of discontinued operations are presented in Note 20.

Going Concern

In connection with preparing consolidated financial statements, the Company is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. Substantial doubt exists when conditions and events, considered in aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year after the date that the consolidated financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans and actions that have not been fully implemented as of the date that the financial statements are issued.

The assessment of the liquidity and going concern requires the Company to make estimates of future activity and judgments about whether the Company will be compliant with financial covenant calculations under its debt and other agreements and has adequate liquidity to operate. The Company has sustained net losses for the years ended December 28, 2024 and December 30, 2023. Also as described in Note 9, the Company had $50,000 of outstanding indebtedness under its senior credit facility as of December 28, 2024 which matures on October 30, 2025. As of the date of these financial statements, the Company's existing cash and cash equivalents were not sufficient to satisfy this debt in whole and meet the Company's operating needs for at least one year after the issuance of these financial statements. Subsequent to the reporting date, the Company refinanced the senior credit facility. On February 25, 2025, the Company entered into a new three-year $75,000 senior secured credit facility with MidCap Financial IV Trust. This new facility requires compliance with financial covenants on a monthly basis - See Note 22 for additional information regarding the debt refinancing.

In the current period, the Company was not in compliance with certain financial covenants and obtained appropriate waivers. The Company's current forecast projects the Company may not be able to maintain compliance with certain of its financial covenants under its credit agreements in the next twelve months. Management's plans include implementing cost reductions to improve gross margins and the results of operations, pursuing potentially additional financing for certain assets, and obtaining waivers from lenders. While the Company has been able to obtain waivers in the past for such violations, it cannot be assured that such waivers will be obtained in the future.

These conditions raise substantial doubt about the ability of the Company to continue as a going concern within one year after the date that the financial statements are issued. The Company's consolidated financial statements do not include adjustments, if any, that may arise from the outcome of this uncertainty.

Variable Interest Entities

The Company determines at the inception of each arrangement whether an entity in which it has made an investment or in which the Company has other variable interests is considered a variable interest entity ("VIE"). The Company consolidates VIEs when it is the primary beneficiary. The Company is the primary beneficiary of a VIE when it has the power to direct activities that most significantly affect the economic performance of the VIE and have the obligation to absorb the majority of their losses or benefits. If the Company is not the primary beneficiary in a VIE, the Company accounts for the investment or other variable interests in a VIE in accordance with applicable GAAP. At each reporting period, the Company assesses whether any changes in our interest or relationship with the entity affect our determination of whether the entity is a VIE and, if so, whether the Company is the primary beneficiary.

The Company entered into an arrangement to pool extrusion machinery whereby the Company and an independent entity, "the Entity", separately purchased machinery to concurrently produce fiber to reduce manufacturing costs. The entity purchases the raw materials, employs the staff and owns and manages the facility and the production of the fiber. The Company receives all fiber produced on its own machines and pays the entity an amount equal to the cost of raw materials and an agreed upon allocation of direct and indirect production and overhead costs of the fiber operations. The Company accounts for all amounts paid to the entity as the cost of raw material inventory.

The Company determined that the entity is a VIE and the Company's arrangement represents a variable interest in the entity. The Company has determined that the governance and operating structures of this VIE do not allow it to direct the activities that would significantly affect the Entity's economic performance. In addition, the Company does not have an obligation to absorb losses of the Entity. Therefore, the Company is not the primary beneficiary, and the results of operations and financial position of this VIE are not included in the Company's consolidated condensed financial statements. The Company believes its maximum exposure of this unconsolidated VIE is the current carrying value of the equipment at the Entity's location. The carrying value and maximum exposure of this unconsolidated VIE was $7,409 as of December 28, 2024, and is included within property, plant and equipment, net on the Company’s consolidated condensed balance sheets. Any additional potential losses cannot be determined.

Nasdaq Delisting Notification or Failure to Satisfy a Continued Listing Rule or Standard

Effective at the opening of business on October 3, 2024, the Company's Common Stock was suspended and delisted from Nasdaq and began trading on the Over-the-Counter Market pink sheets under the stock symbol DXYN. Effective October 4, 2024, the Company was upgraded to the Over-the-Counter OTCQB Market ("the OTCQB") trading under the same symbol DXYN. On February 12, 2025, Nasdaq filed a Form 25 with the SEC notifying the SEC of Nasdaq's determination to remove the Company's securities from listing on Nasdaq. The delisting was effective February 21, 2025.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

Fiscal Year

The Company ends its fiscal year on the last Saturday of December. All references herein to "2024" and "2023" mean the fiscal years ended December 28, 2024 and December 30, 2023 respectively. Both fiscal year 2024 and fiscal 2023 contained 52 weeks.

Discontinued Operations

The consolidated financial statements separately report discontinued operations and the results of continuing operations (See Note 20).

Cash and Cash Equivalents

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

Market Risk

The Company sells carpet to floorcovering retailers, the interior design, architectural and specifier communities and supplies carpet yarn and carpet dyeing and finishing services to certain manufacturers. The Company's customers are located principally throughout the United States.

Receivables and Allowance for Expected Credit Losses

The Company grants credit to its customers with defined payment terms, performs ongoing evaluations of the credit worthiness of its customers and generally does not require collateral. Accounts receivable are carried at their outstanding principal amounts, less an anticipated amount for discounts and an allowance for expected credit losses, which management believes is sufficient to cover potential credit losses based on historical experience and periodic evaluation of the financial condition of the Company's customers. The Company's allowance for expected credit losses is computed using a number of factors including past credit loss experience and the aging of amounts due from our customers, in addition to other customer-specific factors. The Company also considered recent trends and developments related to the current macroeconomic environment such as unemployment rates, interest rates and inflation in determining its ending allowance for credit losses for accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in a change in their ability to make payments, or additional changes in macroeconomic factors occur, additional allowances may be required.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out ("LIFO") method, which generally matches current costs of inventory sold with current revenues, for substantially all inventories.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of cost or impaired value. Provisions for depreciation and amortization of property, plant and equipment have been computed for financial reporting purposes using the straight-line method over the estimated useful lives of the related assets, ranging from 10 to 40 years for buildings and improvements, and 3 to 10 years for machinery and equipment. Costs to repair and maintain the Company's equipment and facilities are expensed as incurred. Such costs typically include expenditures to maintain equipment and facilities in good repair and proper working condition.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be fully recoverable. When the carrying value of the asset exceeds the value of its estimated undiscounted future cash flows, an impairment charge is recognized equal to the difference between the asset's carrying value and its fair value. Fair value is estimated using discounted cash flows, prices for similar assets or other valuation techniques.

Self-Insured Benefit Programs

The Company records liabilities to reflect an estimate of the ultimate cost of claims related to its self-insured medical and dental benefits and workers' compensation. The amounts of such liabilities are based on an analysis of the Company's historical experience for each type of claim.

Income Taxes

The Company recognizes deferred income tax assets and liabilities for the future tax consequences of the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources. In the event that the Company is not able to realize all or a portion of the deferred tax assets in the future, a valuation allowance is provided. The Company recognizes such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. The Company accounts for uncertainty in income tax positions according to FASB guidance relating to uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions, if any, in income tax expense.

Treasury Stock

The Company classifies treasury stock as a reduction to Common Stock for the par value of such shares acquired and the difference between the par value and the price paid for each share recorded either entirely to retained earnings or to additional paid-in-capital for periods in which the Company does not have retained earnings. This presentation reflects the repurchased shares as authorized but unissued as prescribed by state statute.

Revenue Recognition

The Company derives its revenues primarily from the sale of floorcovering products and processing services. Revenues are recognized when control of these products or services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services. Sales, value add, and other taxes the

Company collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. When the Company transfers control of its products to the customer prior to the related shipping and handling activities, the Company has adopted a policy of accounting for shipping and handling activities as a fulfillment cost rather than a performance obligation. Incidental items that are immaterial in the context of the contract are recognized as expense. While the Company pays sales commissions to certain personnel, the Company has not capitalized these costs as costs to obtain a contract as the Company has elected to expense costs as incurred when the expected amortization period is one year or less. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. The Company determined revenue recognition through the following steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the performance obligation is satisfied

Performance Obligations

For performance obligations related to residential floorcovering products, control transfers at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer and the customer must have the significant risks and rewards of ownership. The Company’s principal terms of sale are FOB Shipping Point and FOB Destination and the Company transfers control and records revenue for product sales either upon shipment or delivery to the customer, respectively. Revenue is allocated to each performance obligation based on its relative stand-alone selling prices. Stand-alone selling prices are based on observable prices at which the Company separately sells the products or services.

Variable Consideration

The nature of the Company’s business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price, which reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns, or price concessions.

Variable consideration is estimated at the most likely amount using a portfolio approach that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Advertising Costs

The Company engages in promotional and advertising programs. Expenses relating to these programs are charged to results of operations during the period of the related benefits. These arrangements do not require significant estimates of costs. Costs related to cooperative advertising programs are normally recorded as selling and administrative expenses when the Company can reasonably identify the benefit associated with the program and can reasonably estimate that the fair value of the benefit is equal to or greater than its cost. The amount of advertising and promotion expenses included in selling and administrative expenses was not significant for the years 2024 and 2023.

Warranties

The Company generally provides product warranties related to manufacturing defects and specific performance standards for its products for a period of up to two years. The Company accrues for estimated future assurance warranty costs in the period in which the sale is recorded. The costs are included in cost of sales in the Consolidated Statements of Operations and the product warranty reserve is included in accrued expenses in the Consolidated Balance Sheets. The Company calculates its accrual using the portfolio approach based upon historical experience and known trends (See Note 8). The Company does not provide an additional service-type warranty.

Cost of Sales

Cost of sales includes all costs related to manufacturing the Company's products, including purchasing and receiving costs, inspection costs, warehousing costs, freight costs, internal transfer costs or other costs of the Company's distribution network.

Selling and Administrative Expenses

Selling and administrative expenses include all costs, not included in cost of sales, related to the sale and marketing of the Company's products and general administration of the Company's business.

Operating Leases

The Company determines if an arrangement is an operating lease or a financing lease at inception. A lease exists if the Company obtains substantially all of the economic benefits of, and has the right to control the use of, an asset for a period of time. Right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease agreement. Lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. Right-of-use assets may also be adjusted to reflect any prepayments made or any incentive payments received. Generally, the Company's leases do not provide a readily determinable implicit interest rate, therefore, the Company uses its incremental borrowing rate, which is based on information available at the lease commencement date, to determine the present value of lease payments.

The Company has operating leases primarily for real estate and equipment used in manufacturing. Operating lease expense is recognized in continuing operations on a straight-line basis over the lease term within cost of sales and selling and administrative expenses. Financing lease expense is comprised of both interest expense, which is recognized using the effective interest method, and amortization of the right-of-use assets. These expenses are presented consistently with the presentation of other interest expense and amortization or depreciation of similar assets. In determining lease asset values, the Company considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. The Company does not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less.

Stock-Based Compensation

The Company recognizes compensation expense relating to stock-based payments based on the fair value of the equity or liability instrument issued. Restricted stock grants with pro-rata vesting are expensed using the straight-line method. (Terms of the Company's awards are specified in Note 15). The Company accounts for forfeitures when they actually occur.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances reporting requirements under Topic 280. The enhanced disclosure requirements include: title and position of the Chief Operating Decision Maker ("CODM"), significant segment expenses provided to the CODM, extending certain annual disclosures to interim periods, clarifying single reportable segment entities must apply ASC 280 in its entirety, and permitting more than one measure of segment profit or loss to be reported under certain circumstances. This change is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024. This change will apply retrospectively to all periods presented. The adoption of this ASU did not have a material impact on its financial statements (See Note 21).

Accounting Standards Yet to Be Adopted

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*, which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The new guidance requires consistent categorization and greater disaggregation of information in the rate reconciliation, as well as further disaggregation of income taxes paid. This change is effective for annual periods beginning after December 15, 2024. This change will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company does not expect the adoption of this ASU to have a material impact on its financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disclosures about certain categories of expenses (including purchases of inventory, employee compensation, depreciation and intangible asset amortization) that are included in the expense captions presented on the face of the income statement, as well as disclosures about selling expenses. This new guidance is intended to provide investors with more detailed expense information in order to better understand an entity's cost structure and forecast future cash flows. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027 on a prospective basis. Early adoption and retrospective application is permitted. The Company is currently evaluating the impact of the new guidance on its financial statements and related disclosures.

(amounts in thousands, except per share data)

NOTE 3 - REVENUE

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company's revenue by end-user markets:

	2024	2023
Residential floorcovering products	**$ 261,108**	$ 272,210
Other services	**3,918**	4,133
Total net sales	**$ 265,026**	$ 276,343

Residential floorcovering products. Residential floorcovering products include broadloom carpet, rugs, luxury vinyl flooring and engineered hardwood. These products are sold into the designer, retailer, mass merchant and builder markets.

Other services. Other services include carpet yarn processing and carpet dyeing services.

Contract Balances

Other than receivables that represent an unconditional right to consideration, which are presented separately (See Note 4), the Company does not recognize any contract assets which give conditional rights to receive consideration, as the Company does not incur costs to obtain customer contracts that are recoverable. The Company may receive cash payments from customers in advance of the Company's performance for limited production run orders resulting in contract liabilities. These contract liabilities are classified in accrued expenses in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue, which is typically less than a year. The net decrease or increase in the contract liabilities is primarily driven by order activity for limited runs requiring deposits offset by the recognition of revenue and application of deposit on the receivables ledger for such activity during the period. The activity in the advanced deposits for continuing operations are as follows:

	2024	2023
Beginning contract liability	**$ 966**	$ 1,055
Revenue recognized from contract liabilities included in the beginning balance	**(808)**	(881)
Increases due to cash received, net of amounts recognized in revenue during the period	**570**	792
Ending contract liability	**$ 728**	$ 966

NOTE 4 - RECEIVABLES, NET

Receivables are summarized as follows:

	2024	2023
Customers, trade	**$ 22,195**	$ 22,461
Other receivables	**1,584**	1,665
Gross receivables	**23,779**	24,126
Less: allowance for expected credit losses (1)	**(454)**	(440)
Receivables, net	**$ 23,325**	$ 23,686

(1) The Company recognized an expense to the provision for the expected credit losses of $194 and $31 and recognized write-offs, net of recoveries of $180 and $90 in 2024 and 2023, respectively.

(amounts in thousands, except per share data)

NOTE 5 - INVENTORIES, NET

Inventories are summarized as follows:

	2024	2023
Raw materials	**$ 22,093**	$ 24,368
Work-in-process	**11,587**	12,275
Finished goods	**54,631**	60,553
Supplies and other	**94**	112
LIFO reserve	**(21,553)**	(21,097)
Inventories, net	**$ 66,852**	$ 76,211

Reduction of inventory quantities in 2024 and 2023 resulted in liquidations of LIFO inventories carried at prevailing costs established in prior years and decreased cost of sales by $494 and $1,145 in 2024 and 2023, respectively.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consists of the following:

	2024	2023
Land and improvements	**$ 3,434**	$ 3,402
Buildings and improvements	**41,619**	41,484
Machinery and equipment	**163,839**	155,312
Assets under construction	**327**	574
	209,219	200,772
Accumulated depreciation	**(175,472)**	(169,404)
Property, plant and equipment, net	**$ 33,747**	$ 31,368

Depreciation of property, plant and equipment, including amounts for finance leases, totaled $6,366 in 2024 and $7,122 in 2023.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses are summarized as follows:

	2024	2023
Compensation and benefits (1)	**$ 4,418**	$ 5,720
Provision for customer rebates, claims and allowances	**6,921**	6,199
Advanced customer deposits	**728**	966
Outstanding checks in excess of cash	**470**	444
Other	**2,520**	3,269
Accrued expenses	**$ 15,057**	$ 16,598

(1) Includes a liability related to the Company's self-insured Workers' Compensation program. This program is collateralized by letters of credit in the aggregate amount of $3,252. The Company has other letters of credit outstanding totaling $852.

(amounts in thousands, except per share data)

NOTE 8 - PRODUCT WARRANTY RESERVES

The Company generally provides product warranties related to manufacturing defects and specific performance standards for its products. Product warranty reserves are included in accrued expenses in the Company's Consolidated Balance Sheets. The following is a summary of the Company's product warranty activity for continuing operations:

	2024	2023
Product warranty reserve at beginning of period	**$ 735**	$ 942
Warranty liabilities accrued	**624**	716
Warranty liabilities settled	**(761)**	(923)
Product warranty reserve at end of period	**$ 598**	$ 735

NOTE 9 - LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following:

	2024	2023
Revolving credit facility	**$ 50,000**	$ 47,619
Term loans	**21,960**	23,875
Notes payable - other	**11,163**	12,300
Finance lease obligations	**456**	131
Deferred financing costs, net	**(1,231)**	(1,405)
Total debt	**82,348**	82,520
Less: current portion of long-term debt	**53,818**	4,230
Long-term debt	**$ 28,530**	$ 78,290

Revolving Credit Facility

On October 30, 2020, the Company entered into a $75,000 Senior Secured Revolving Credit Facility with Fifth Third Bank National Association as lender. The loan is secured by a first priority security interest on all accounts receivable, cash, and inventory, and provides for borrowing limited by certain percentages of values of the accounts receivable and inventory. The revolving credit facility matures on October 30, 2025 and has been classified as a current liability.

At the Company's election, advances of the revolving credit facility bear interest at annual rates equal to either (a) SOFR (plus a 0.10% SOFR adjustment) for 1 or 3 month periods, as defined with a floor of 0.75% or published SOFR, plus an applicable margin ranging between 1.50% and 2.00%, or (b) the higher of the prime rate plus an applicable margin ranging between 0.50% and 1.00%. The applicable margin is determined based on availability under the revolving credit facility with margins increasing as availability decreases. The applicable margin can be increased by 0.50% if the fixed charge coverage ratio is below a 1.10 to 1.00 ratio. As of December 28, 2024, the applicable margin on the Company's revolving credit facility was 2.50% for SOFR and 1.50% for Prime due to the fixed charge coverage ratio being below 1.10 to 1.00. The Company pays an unused line fee on the average amount by which the aggregate commitments exceed utilization of the revolving credit facility equal to 0.25% per annum. The weighted-average interest rate on borrowings outstanding under the revolving credit facility was 7.18% at December 28, 2024 and 8.15% for December 30, 2023.

The agreement is subject to customary terms and conditions and annual administrative fees with pricing varying on excess availability and a fixed charge coverage ratio. The agreement is also subject to certain compliance, affirmative, and financial covenants including the restriction on payment of dividends. The Company is only subject to the financial covenants if borrowing availability is less than $8,006, which is equal to 12.5% of the lesser of the total loan availability of $75,000 or total collateral available, and remains until the availability is greater than 12.5% for thirty consecutive days.

On February 25, 2025, the Company entered into a new $75,000 Senior Secured Revolving Credit Facility with MidCap Financial IV Trust to replace its $75,000 Senior Secured Revolving Credit Facility with Fifth Third Bank, National Association (See Note 22). The revolving credit facility requires a lockbox arrangement, which provides for all cash receipts to be swept daily to reduce the balance outstanding. This arrangement, combined with the existence of a “subjective acceleration clause” (as defined by U.S. GAAP) in the revolving credit facility, requires the balance on the revolving credit facility to be classified as a current liability. The “subjective acceleration clause” allows the lender to declare an event of default if there is a material adverse change in the Company's business or financial condition. Upon the occurrence of an event of default, the lender may, among other things, declare all obligations payable in full.

Term Loans

Effective October 28, 2020, the Company entered into a $10,000 principal amount USDA Guaranteed term loan with AmeriState Bank as lender. The term of the loan is 25 years and bears interest at a minimum 5.00% rate or 4.00% above 5-year treasury, to be reset every 5 years at 3.5% above 5-year treasury. The loan is secured by a first mortgage on the Company’s Atmore, Alabama and Roanoke, Alabama facilities.

Effective October 29, 2020, the Company entered into a $15,000 principal amount USDA Guaranteed term loan with the Greater Nevada Credit Union as lender. The term of the loan is 10 years and bears interest at a minimum 5.00% rate or 4.00% above 5-year treasury, to be reset after 5 years at 3.5% above 5-year treasury. Payments on the loan are interest only over the first three years and principal and interest over the remaining seven years. The loan is secured by a first lien on a substantial portion of the Company’s machinery and equipment and a second lien on the Company’s Atmore and Roanoke facilities.

Debt Covenant Compliance

The Company's agreements for its Revolving Credit Facility and its term loans include certain compliance, affirmative, and financial covenants and, as of the reporting date, the Company is in compliance with or has received waivers for all such applicable financial covenants.

Notes Payable - Buildings

On March 16, 2022, the Company entered into a twenty-year $11,000 note payable to refinance an existing note payable on its distribution center in Adairsville, Georgia (the "Property"). The refinanced note payable bore interest at a fixed annual rate of 3.81%. On December 14, 2023, the Company sold the Property and completed a successful sale and leaseback of the Property. The Company paid off the existing note in the amount of $10,368. As a result of the debt extinguishment, the Company recognized an expense of $206 for previously deferred financing costs on the note. The note had been secured by the Property and a guarantee of the Company. (See Note 10.)

Notes Payable - Other

On January 14, 2019, the Company, entered into a purchase and sale agreement (the “Purchase and Sale Agreement”) with Saraland Industrial, LLC, an Alabama limited liability company (the “Purchaser”). Pursuant to the terms of the Purchase and Sale Agreement, the Company sold its Saraland facility, and approximately 17.12 acres of surrounding property located in Saraland, Alabama (the “Property”) to the Purchaser for a purchase price of $11,500. Concurrent with the sale of the Property, the Company and the Purchaser entered into a twenty-year lease agreement (the “Lease Agreement”), whereby the Company will lease back the Property at an annual rental rate of $977, subject to annual rent increases of 1.25%. Under the Lease Agreement, the Company has two (2) consecutive options to extend the term of the Lease by ten years for each such option. This transaction was recorded as a failed sale and leaseback. The Company recorded a liability for the amounts received, will continue to depreciate the asset, and has imputed an interest rate of 7.07% so that the net carrying amount of the financial liability and remaining assets will be zero at the end of the twenty-year lease term.

On September 15, 2023, the Company modified a note payable on equipment which had previously been recorded as a failed sale and leaseback. The note payable bore interest at fixed interest rate of 7.84% and matured on December 1, 2024. In 2023, the Company recognized a gain of $625 related to an extinguishment of debt on the note payable.

The Company's other financing notes have terms up to 1 year, bear interest ranging from 6.50% to 6.75% and are due in monthly installments through their maturity dates. The Company's other notes do not contain any financial covenants.

Finance Lease Obligations

The Company's financed lease obligations are due in monthly installments through their maturity dates. The Company's finance lease obligations are secured by the specific equipment leased.

(amounts in thousands, except per share data)

Debt Maturities

Maturities of long-term debt for periods following December 28, 2024 are as follows:

	Long-Term Debt	Finance Leases (See Note 10)	Total
2025	$ 53,676	$ 142	$ 53,818
2026	2,657	160	2,817
2027	2,837	136	2,973
2028	3,221	18	3,239
2029	3,196	—	3,196
Thereafter	17,536	—	17,536
Total maturities of long-term debt	$ 83,123	$ 456	$ 83,579
Deferred financing costs, net	(1,231)	—	(1,231)
Total long-term debt	$ 81,892	$ 456	$ 82,348

NOTE 10 - LEASES

Leases as Lessee

Balance sheet information related to right-of-use assets and liabilities is as follows:

	Balance Sheet Location	**2024**	2023
Operating Leases:			
Operating lease right-of-use assets	Operating lease right-of-use assets	**$ 25,368**	$ 28,962
Current portion of operating lease liabilities	Current portion of operating lease liabilities	**$ 3,804**	$ 3,654
Noncurrent portion of operating lease liabilities	Operating lease liabilities	**22,295**	25,907
Total operating lease liabilities		**$ 26,099**	$ 29,561
Finance Leases:			
Finance lease right-of-use assets	Property, plant, and equipment, net	**$ 498**	$ 138
Current portion of finance lease liabilities	Current portion of long-term debt	**$ 142**	$ 29
Noncurrent portion of finance lease liabilities	Long-term debt	**314**	102
Total financing lease liabilities		**$ 456**	$ 131

Lease cost recognized in the consolidated financial statements is summarized as follows:

	2024	2023
Operating lease cost	**$ 5,803**	$ 4,115
Finance lease cost:		
Amortization of lease assets	**$ 54**	$ 174
Interest on lease liabilities	**14**	10
Total finance lease costs	**$ 68**	$ 184

(amounts in thousands, except per share data)

Other supplemental information related to leases is summarized as follows:

	2024	2023
Weighted average remaining lease term (in years):		
Operating leases	**6.35**	7.25
Finance leases	**2.96**	4.51
Weighted average discount rate:		
Operating leases	**6.82 %**	6.81 %
Finance leases	**5.58 %**	6.65 %
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 5,789**	$ 4,080
Operating cash flows from finance leases	**14**	10
Financing cash flows from finance leases	**70**	256

The following table summarizes the Company's undiscounted future minimum lease payments under non-cancellable contractual obligations for operating and financing lease liabilities as of year end:

Fiscal Year	Operating Leases	Finance Leases
2025	$ 5,473	$ 162
2026	5,188	174
2027	5,358	141
2028	5,334	19
2029	4,679	—
Thereafter	6,670	—
Total future minimum lease payments (undiscounted)	32,702	496
Less: Present value discount	(6,603)	(40)
Total lease liability	$ 26,099	$ 456

On December 15, 2023, the Company sold its Adairsville, Georgia distribution center. The sales price was $16,250. The gain on the sale transaction was $8,198 and is included in other operating (income) expense, net in the consolidated statements of operations. The transaction was accounted for as a successful sale and leaseback transaction.

Concurrent with the sale of the Adairsville, Georgia distribution center, the Company entered into an operating lease to lease back the property for a term of 10 years with two 5 year renewal options. The Company concluded it was not reasonably certain to exercise the renewal options and therefore, did not include in the lease liability or right of use asset. The initial annual rent is $1,496 for the first five years increasing to an annual amount of $1,585 for the second five years. The Company is responsible for normal maintenance of the building and facilities.

Leases as Lessor

The Company leases or subleases certain excess space in its facilities to third parties, which are included as fixed assets. The leases are accounted for as operating leases and the lease or sublease income is included in other operating (income) expense, net. The Company recognizes lease income on a straight-line basis as collectability is probable, including any escalation or lease incentives, as applicable, and the Company continues to recognize the underlying asset which is included in property, plant and equipment, net on the Company's consolidated balance sheets The leases do not have any residual value guarantees. The Company has elected the practical expedient to combine all non-lease components as a combined component. The nature of the Company’s sublease agreements do not provide for variable lease payments or options to purchase.

(amounts in thousands, except per share data)

Lease income and sublease income related to fixed lease payments is recognized in other operating (income) expense, net in the in the consolidated statements of operations because they are not ordinary activities of the Company and is summarized as follows:

	2024	2023
Operating lease income	**$ 1,879**	$ 705

The following table summarizes the Company's undiscounted lease payments to be received under operating leases including amounts to be paid by the Company to the head lessor for the next five years and thereafter as of 2024:

Fiscal Year	Gross Lease Payments	Payments to Head Lessor	Net Lease Payments
2025	$ 2,364	$ 421	$ 1,943
2026	$ 2,411	$ 430	$ 1,981
2027	$ 2,460	$ 438	$ 2,022
2028	$ 2,509	$ 447	$ 2,062
2029	$ 2,311	$ 456	$ 1,855
Thereafter	$ 11,832	$ 2,273	$ 9,559
Total	$ 23,887	$ 4,465	$ 19,422

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange value of an asset or a liability in an orderly transaction between market participants. The fair value guidance outlines a valuation framework and establishes a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and disclosures. The hierarchy consists of three levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities as of the reported date;

Level 2 - Other than quoted market prices in active markets for identical assets or liabilities, quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other than quoted prices for assets or liabilities and prices that are derived principally from or corroborated by market data by correlation or other means; and

Level 3 - Measurements using management's best estimate of fair value, where the determination of fair value requires significant management judgment or estimation.

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**$ 19**	**$ 19**	$ 79	$ 79
Financial liabilities:				
Long-term debt, including current portion	**81,892**	**73,249**	82,389	79,225
Finance leases, including current portion	**456**	**434**	131	130

The fair values of the Company's long-term debt and finance leases were estimated using market rates the Company believes would be available for similar types of financial instruments and represent level 2 measurements. The fair values of cash and cash equivalents approximate their carrying amounts due to the short-term nature of the financial instruments.

(amounts in thousands, except per share data)

NOTE 12 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The Company sponsors a 401(k) defined contribution plan that covers a significant portion, or approximately 98% of the Company's associates. This plan includes a mandatory Company match on the first 1% of participants' contributions. The Company matches the next 2% of participants' contributions if the Company meets prescribed earnings levels. The plan also provides for additional Company contributions above the 3% level if the Company attains certain additional performance targets. Matching contribution expense for this 401(k) plan was $335 in 2024 and $652 in 2023.

Additionally, the Company sponsors a 401(k) defined contribution plan that covers those associates at one facility who are under a collective-bargaining agreement, or approximately 2% of the Company's associates. Under this plan, the Company generally matches participants' contributions, on a sliding scale, up to a maximum of 2.75% of the participant's earnings. Matching contribution expense for the collective-bargaining 401(k) plan was $5 in 2024 and $11 in 2023.

Non-Qualified Retirement Savings Plan

The Company sponsors a non-qualified retirement savings plan that allows eligible associates to defer a specified percentage of their compensation. The obligations for continuing operations owed to participants under this plan were $16,411 at December 28, 2024 and $14,289 at December 30, 2023 and are included in other long-term liabilities in the Company's Consolidated Balance Sheets. The obligations are unsecured general obligations of the Company and the participants have no right, interest or claim in the assets of the Company, except as unsecured general creditors. The Company utilizes a Rabbi Trust to hold, invest and reinvest deferrals and contributions under the plan. Amounts are invested in Company-owned life insurance in the Rabbi Trust and the cash surrender value of the policies for continuing operations was $16,537 at December 28, 2024 and $14,836 at December 30, 2023 and is included in other assets in the Company's Consolidated Balance Sheets.

Multi-Employer Pension Plan

The Company contributes to a multi-employer pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. These union-represented employees represented approximately 2% of the Company's total employees. The risks of participating in multi-employer plans are different from single-employer plans. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in the multi-employer pension plan for 2024 is provided in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2024 and 2023 is for the plan's year-end at 2023 and 2022, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates a plan for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2024	Pension Protection Act Zone Status 2023	FIP/RP Status Pending/ Implemented (1)	Contributions (2) 2024	Contributions (2) 2023	Contributions (2) 2022	Surcharge Imposed (1)	Expiration Date of Collective-Bargaining Agreement
The Pension Plan of the National Retirement Fund	13-6130178 - 001	Red	Red	Implemented	$ 26	$ 23	$ 151	Yes	6/6/2026

(1) The collective-bargaining agreement requires the Company to contribute to the plan at the rate of $0.47 per compensated hour for each covered employee. The Company will make additional contributions, as mandated by law, in accordance with the fund's 2010 Rehabilitation Plan which required a surcharge equal to $0.03 per hour (from $0.47 to $0.50) effective June 1, 2014 to May 31, 2015, a surcharge equal to $0.03 per hour (from $0.50 to $0.53) effective June 1, 2015 to May 31, 2016, a surcharge equal to $0.02 per hour (from $0.53 to $0.55) effective June 1, 2016 to May 31, 2017, a surcharge equal to $0.03 per hour (from $0.55 to $0.58) effective June 1, 2017 to May 31, 2018, a surcharge equal to $0.02 per hour (from $0.58 to $0.60) effective June 1, 2018 to May 31, 2019, a surcharge equal to $0.03 per hour (from $0.60 to $0.63) effective June 1, 2019 to May 31, 2020, a surcharge equal to $0.03 per hour (from $0.63 to $0.66) effective June 1, 2020 to May 31, 2021, a surcharge equal to $0.03 per hour (from $0.66 to $0.69) effective June 1, 2021 to May 31, 2022, a surcharge equal to $0.03 per hour (from $0.69 to $0.72) effective June 1, 2022 to May 31, 2023, a surcharge equal to $0.03 per hour (from $0.72 to $0.75) effective June 1, 2023 to May 31, 2024 and a surcharge equal to $0.03 per hour (from $0.75 to $0.78) effective June 1, 2024 to May 31, 2025. Based upon current employment and benefit levels, the Company's contributions to the multi-employer pension plan are expected to be approximately $28 for 2025.

(amounts in thousands, except per share data)

(2) The Company's contributions to the plan do not represent more than 5% of the total contributions to the plan for the most recent plan year available.

Postretirement Plans

The Company sponsors a postretirement benefit plan that provides life insurance to a limited number of associates upon retirement as part of a collective bargaining agreement.

Information about the benefit obligation and funded status of the Company's postretirement benefit plan is summarized as follows:

	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 324**	$ 379
Service cost	**1**	5
Interest cost	**13**	16
Actuarial gain	**(52)**	(75)
Benefits paid	**(1)**	(1)
Benefit obligation at end of year	**285**	324
Change in plan assets:		
Fair value of plan assets at beginning of year	**—**	—
Employer contributions	**1**	1
Benefits paid	**(1)**	(1)
Fair value of plan assets at end of year	**—**	—
Unfunded amount	**$ (285)**	$ (324)

The balance sheet classification of the Company's liability for the postretirement benefit plan is included in discontinued operations and is summarized as follows:

	2024	2023
Current liabilities of discontinued operations	**$ 22**	$ 23
Long-term liabilities of discontinued operations	**263**	301
Total liability	**$ 285**	$ 324

Benefits expected to be paid on behalf of associates for the postretirement benefit plan during the period 2025 through 2034 are summarized as follows:

Years	Postretirement Plan
2025	$ 22
2026	20
2027	19
2028	18
2029	18
2030-34	85

Assumptions used to determine the benefit obligation of the Company's postretirement benefit plan are summarized as follows:

	2024	2023
Weighted-average assumptions as of year-end:		
Discount rate (benefit obligation)	**4.00 %**	4.00 %

(amounts in thousands, except per share data)

Components of net periodic benefit cost (credit) for the postretirement plan are summarized as follows:

	2024	2023
Service cost	**$ 1**	$ 5
Interest cost	**13**	16
Recognized net actuarial gains	**(34)**	(26)
Net periodic benefit cost (credit)	**$ (20)**	$ (5)

Pre-tax amounts included in accumulated other comprehensive income for the Company's postretirement benefit plan at 2024 are summarized as follows:

	Postretirement Benefit Plan	
	Balance at 2024	2025 Expected Amortization
Unrecognized actuarial gains	**$ 387**	$ 19
Totals	**$ 387**	$ 19

NOTE 13 - INCOME TAXES

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

	2024	2023
Current		
Federal	**$ (51)**	$ 208
State	**22**	6
Total current	**(29)**	214
Deferred		
Federal	**—**	—
State	**—**	—
Total deferred	**—**	—
Income tax provision (benefit)	**$ (29)**	$ 214

(amounts in thousands, except per share data)

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 before taxes are summarized as follows:

	2024	2023
Federal statutory rate	**21 %**	21 %
Statutory rate applied to loss from continuing operations before taxes	**$ (2,570)**	$ (365)
Plus state income taxes, net of federal tax effect	**17**	5
Total statutory provision (benefit)	**(2,553)**	(360)
Effect of differences:		
Nondeductible meals and entertainment	**38**	31
Executive compensation limitation	**24**	—
Federal tax credits	**(220)**	(343)
State tax credits	**(22)**	(74)
Reserve for uncertain tax positions	**5**	37
Change in valuation allowance	**2,573**	797
Stock-based compensation	**125**	105
Other items	**1**	21
Income tax provision (benefit)	**$ (29)**	$ 214

The Company has a full valuation allowance against its deferred tax assets. The Company intends to maintain this position until there is sufficient evidence to support the reversal of all or some portion of these allowances. The Company also has certain assets with indefinite lives for which the basis is different for book and tax. In accordance with ASC 740-10-30-18, the deferred tax liability related to these intangible assets cannot be used to offset deferred tax assets when determining the amount of the valuation allowance for deferred tax assets which are not more-likely-than-not to be realized. The result is that the Company is in a net deferred tax liability position of $91 at December 28, 2024 and December 30, 2023, which is recorded in other long-term liabilities in the Company's Consolidated Balance Sheets.

Due to its full valuation allowance against its deferred tax balances, the Company is only able to recognize refundable credits and a small amount of federal and state taxes in the tax provision (benefit) for 2024 and 2023.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	2024	2023
Deferred tax assets:		
Inventories	**$ 1,916**	$ 1,649
Retirement benefits	**436**	322
State net operating losses	**3,502**	4,014
Federal net operating losses	**6,309**	2,840
State tax credit carryforwards	**—**	1,669
Federal tax credit carryforwards	**4,778**	4,579
Allowances for bad debts, claims and discounts	**1,806**	1,663
Other	**8,597**	7,246
Total deferred tax assets	**27,344**	23,982
Valuation allowance	**(24,737)**	(20,961)
Net deferred tax assets	**2,607**	3,021
Deferred tax liabilities:		
Property, plant and equipment	**2,698**	3,112
Total deferred tax liabilities	**2,698**	3,112
Net deferred tax liability	**$ (91)**	$ (91)

(amounts in thousands, except per share data)

At December 28, 2024, the Company had approximately $30,045 of federal net operating loss carryforwards and approximately $63,275 of state net operating loss carryforwards available from both continuing and discontinued operations. In addition, $4,778 of federal tax credit carryforwards were available to the Company. The federal tax credit carryforwards will expire between 2030 and 2045. The federal net operating loss carryforwards have no expiration date. The state net operating loss carryforwards will expire between 2024 and 2044. A valuation allowance is recorded to reflect the estimated amount of deferred tax assets attributable to continuing operations that are estimated not to be realizable based on the available evidence. At December 28, 2024, the Company is in a net deferred tax liability position of $91 which is included in other long-term liabilities in the Company's Consolidated Balance Sheets.

Beginning in 2022, the Tax Cuts and Jobs Act (the "TCJA") amended Section 174 to eliminate current year deductibility of research and experimentation ("R&E") expenditures and software development costs (collectively, "R&E expenditures") and instead requires taxpayers to charge their R&E expenditures to a capital account amortized over 5 years. For the 2024 and 2023 tax years, the Company capitalized $4,282 and $4,642 of research and development expenses respectively.

Tax Uncertainties

The Company accounts for uncertainty in income tax positions according to FASB guidance relating to uncertain tax positions. Unrecognized tax benefits, if recognized, would affect the Company's effective tax rate. There were no significant interest or penalties accrued as of December 28, 2024 or December 30, 2023.

The following is a summary of the change in the Company's unrecognized tax benefits:

	2024	2023
Balance at beginning of year	**$ 555**	$ 518
Additions based on tax positions taken during a current period	**5**	37
Balance at end of year	**$ 560**	$ 555

The Company and its subsidiaries are subject to United States federal income taxes, as well as income taxes in a number of state jurisdictions. The tax years subsequent to 2020 remain open to examination for U.S. federal income taxes. The majority of state jurisdictions remain open for tax years subsequent to 2020. A few state jurisdictions remain open to examination for tax years subsequent to 2019.

NOTE 14 - COMMON STOCK AND EARNINGS (LOSS) PER SHARE

Common & Preferred Stock

The Company's charter authorizes 80,000,000 shares of Common Stock with a $3 par value per share and 16,000,000 shares of Class B Common Stock with a $3 par value per share. 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 and may be converted into Common Stock on a one share for one share basis. The Company's charter also 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.

Repurchases of Common Stock

On May 1, 2024, the Company's Board of Directors approved the repurchase of up to $2,800 of the Company's Common Stock. The repurchases were made pursuant to that authorization, and under a plan restructured to mee the requirements of Rule 10b-5-1 of the Securities and Exchange Act ("Plan"). The Company repurchased 676,071 shares under the Plan at a cost of $549 in 2024. The Plan was terminated on August 22, 2024. In addition, during fiscal 2024, 56,817 shares were withheld from employees in lieu of cash payments for withholding taxes due for a total amount of $35 pursuant to the terms of the applicable incentive plans.

Earnings (Loss) Per Share

The Company's unvested stock awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and are included in the computation of earnings per share. The Company calculates basic and diluted earnings per common share using the two-class method. The accounting guidance requires disclosure of EPS for common stock and unvested share-based payment awards, separately disclosing distributed and undistributed earnings. Undistributed earnings represent earnings that were available for distribution but were not distributed.

Common stock and unvested share-based payment awards earn dividends equally. All earnings were undistributed in all periods presented.

The following table sets forth the computation of basic and diluted earnings (loss) per share from continuing operations:

	2024	2023
Basic earnings (loss) per share:		
Loss from continuing operations	**$ (12,210)**	$ (1,952)
Less: Allocation of earnings to participating securities	**—**	—
Loss from continuing operations available to common shareholders - basic	**$ (12,210)**	$ (1,952)
Basic weighted-average shares outstanding (1)	**14,639**	14,783
Basic earnings (loss) per share - continuing operations	**$ (0.83)**	$ (0.13)
Diluted earnings (loss) per share:		
Loss from continuing operations available to common shareholders - basic	**$ (12,210)**	$ (1,952)
Add: Undistributed earnings reallocated to unvested shareholders	**—**	—
Loss from continuing operations available to common shareholders - basic	**$ (12,210)**	$ (1,952)
Basic weighted-average shares outstanding (1)	**14,639**	14,783
Effect of dilutive securities:		
Stock options (2)	**—**	—
Directors' stock performance units (2)	**—**	—
Diluted weighted-average shares outstanding (1)(2)	**14,639**	14,783
Diluted earnings (loss) per share - continuing operations	**$ (0.83)**	$ (0.13)

(1) Includes Common and Class B Common shares, excluding 880 and 706 unvested participating securities, in thousands, for 2024 and 2023, respectively.

(2) Shares issuable under stock option plans where the exercise price is greater than the average market price of the Company's Common Stock during the relevant period and directors' stock performance units have been excluded to the extent they are anti-dilutive. Aggregate shares, in thousands, excluded were 474 in 2024 and 549 in 2023.

NOTE 15 - STOCK PLANS AND STOCK COMPENSATION EXPENSE

The Company recognizes compensation expense relating to share-based payments based on the fair value of the equity instrument issued and records such expense in selling and administrative expenses in the Company's Consolidated Statements of Operations. The Company's stock compensation expense was $494 in 2024 and $687 in 2023.

Omnibus Equity Incentive Plan

On May 4, 2022, the Company's shareholders' approved and adopted the Company's Omnibus Equity Incentive Plan (the "Omnibus Equity Incentive Plan" or the "2022 Plan") which provides for the issuance of a maximum of 1,300,000 shares of Common Stock and/or Class B Common Stock for the grant of options, and/or other stock-based or stock-denominated awards to employees, officers, directors and agents of the Company and its participating subsidiaries. There are 394,649 shares remaining under the 2022 Plan.

2016 Incentive Compensation Plan

On May 3, 2016, the Company's shareholders' approved and adopted the Company's 2016 Incentive Compensation Plan (the "2016 Incentive Compensation Plan") which provided for the issuance of a maximum of 800,000 shares of Common Stock and/or Class B Common Stock for the grant of options, and/or other stock-based or stock-denominated awards to employees, officers, directors, and agents of the Company and its participating subsidiaries. The 2016 Incentive Compensation Plan and the allocation of shares thereunder superseded and replaced The Dixie Group, Inc. Stock Awards Plan, as amended (the "2006 Plan") and the allocation of shares thereunder. Awards previously granted under the 2006 Plan continue to be governed by the terms of that plan and are not affected by its termination. On May 6, 2020, the board approved an amendment of the Company's 2016 Incentive Compensation Plan to increase the original number of shares by an additional 500,000. There are 224,351 shares remaining under the 2016 Incentive Plan due to forfeiture or cancellation of unvested awards outstanding under that plan.

(amounts in thousands, except per share data)

Restricted Stock Awards

Pursuant to the Company's Omnibus Equity Incentive Plan, the Company's practice has been to adopt an annual incentive plan which provides for the grant of restricted stock awards denominated as Long-Term Incentive Stock Awards and Career Share awards. Under the plan adopted for 2023, each executive officer has the opportunity to earn a Primary Long-Term Incentive Award of restricted stock and separately receive an award of restricted stock denominated as “Career Shares.” The number of shares issued, if any, is based on the market price of the Company’s Common Stock at the time of grant of the award, subject to a $5.00 per share minimum value. Primary Long-Term Incentive Awards vest over three years. For participants over age 60, Career Shares awards fully vest when the participant becomes (i) qualified to retire from the Company and (ii) has retained such shares two years following the grant date. For the participants under age 60, Career Shares vest ratably over five years beginning on the participant's 61st birthday.

Restricted stock activity for the two years ended are summarized as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2022	943,706	$ 3.14
Granted	55,000	0.69
Vested	(241,211)	2.89
Forfeited	(51,220)	2.62
Outstanding at December 30, 2023	706,275	$ 3.07
Granted	443,537	0.60
Vested	(237,557)	2.41
Forfeited	(31,812)	1.92
Outstanding at December 28, 2024	**880,443**	**$ 2.05**

As of December 28, 2024, unrecognized compensation cost related to unvested restricted stock was $868. That cost is expected to be recognized over a weighted-average period of 7.0 years. The total fair value of shares vested was approximately $147 and $197 during 2024 and 2023, respectively.

Stock Performance Units

Prior to 2021, the Company's non-employee directors received an annual retainer of $18 in cash and $18 in value of Stock Performance Units (subject to a $5.00 minimum per unit). If market value at the date of the grants was above $5.00 per share; there was no reduction in the number of units issued. However, if the market value at the date of the grants was below $5.00, units would be reduced to reflect the $5.00 per share minimum. Upon retirement, the Company will issue the number of shares of Common Stock equivalent to the number of Stock Performance Units held by non-employee directors at that time. As of December 28, 2024, there were 92,819 Stock Performance Units were outstanding under this plan. As of December 28, 2024, there was no unrecognized compensation cost related to Stock Performance Units.

Stock Options

Options granted under the Company's Omnibus Equity Incentive Plan were exercisable for periods determined at the time the awards are granted. Effective 2009, the Company established a $5.00 minimum price for calculating the number of options to be granted.

On May 25, 2023, the Company granted 444,000 options with a market condition to certain key employees of the Company at a weighted-average exercise price of $1.00. The grant-date fair value of these options was $186. These options vest over a two-year period and require the Company's stock to trade at or above $3.00 for five consecutive trading days during the term of the option to meet the market condition.

The fair value of each option was estimated on the date of grant using a lattice model. Expected volatility was based on historical volatility of the Company's stock, using the most recent period equal to the expected life of the options. The risk-free interest rate was based on the U.S. Treasury yield for a term equal to the expected life of the option at the time of grant. The Company used historical exercise behavior data of similar employee groups to determine the expected lives of options.

(amounts in thousands, except per share data)

The following weighted-average assumptions were used to estimate the fair value of stock options granted during the years ended 2024 and 2023.

	2024	2023
Risk-free interest rate	— %	3.80 %
Expected volatility	— %	97.96 %
Expected dividends	— %	— %
Expected life of options	0 years	5 years

Option activity for the two years ended is summarized as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Fair Value of Options Granted During the Year
Outstanding at December 31, 2022	—	$ —	0.00	$ —
Granted	444,000	1.00	—	0.42
Expired	(25,000)	1.00	—	—
Outstanding at December 30, 2023	419,000	1.00	4.40	—
Granted	—	—	—	—
Forfeited	(38,000)	1.00	—	—
Outstanding at December 28, 2024	**381,000**	**$ 1.00**	**3.40**	**$ —**
Options exercisable at December 28, 2024	**—**	**$ —**	**—**	**$ —**

At December 28, 2024, there was no intrinsic value of outstanding stock options and no intrinsic value of exercisable stock options. At December 28, 2024, there was $32 unrecognized compensation expense related to unvested stock options and is expected to be recognized over a weighted-average period of 0.4 years.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive income, net of tax, are as follows:

	Post-Retirement Liabilities	Total
Balance at December 31, 2022	$ 219	$ 219
Unrecognized net actuarial gain on postretirement benefit plans, net of tax of $0	75	75
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net of tax of $0	(26)	(26)
Balance at December 30, 2023	$ 268	$ 268
Unrecognized net actuarial gain on postretirement benefit plans, net of tax of $0	52	52
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net of tax of $0	(34)	(34)
Balance at December 28, 2024	**$ 286**	**$ 286**

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Commitments

The Company had purchase commitments of $371 at December 28, 2024, primarily related to machinery and equipment. The Company enters into fixed-price contracts with suppliers to purchase natural gas to support certain manufacturing processes. The Company had contract purchases of $743 in 2024 and $441 in 2023. At December 28, 2024, the Company has commitments to purchase natural gas of $717 for 2025 and $124 for 2026.

Contingencies

The Company assesses its exposure related to legal matters, including those pertaining to product liability, safety and health matters and other items that arise in the regular course of its business. If the Company determines that it is probable a loss has been incurred, the amount of the loss, or an amount within the range of loss, that can be reasonably estimated will be recorded. The Company does not accrue for legal costs relating to loss contingencies. The Company has not identified any legal matters that could have a material adverse effect on its consolidated results of operations, financial position or cash flows.

Environmental Remediation

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and estimable. Remediation obligations are accrued based on the latest available information and are recorded at undiscounted amounts. The Company regularly monitors the progress of environmental remediation. If studies indicate that the cost of remediation has changed from the previous estimate, an adjustment to the liability would be recorded in the period in which such determination is made. (See Note 20).

Legal Proceedings

The Company has been sued together with 15 other defendants in a civil action filed January 22, 2024, in the Superior Court of Gordon County Georgia. The case is styled: Moss Land Company, LLC and Revocable Living Trust of William Darryl Edwards, by and through William Darryl Edwards, Trustee vs. City of Calhoun et al. Civil Action Number 24CV73929. The plaintiffs are two landowners located in Gordon County Georgia. The relief sought is compensation for alleged damages to the plaintiffs' real property, an injunction from alleged further damage to their property and abatement of alleged nuisance related to the presence of PFAS and related chemicals on their property. The Plaintiffs allege that such chemicals have been deposited on their property by the City of Calhoun as a byproduct of treating water containing such chemicals used by manufacturing operations in and around Calhoun Georgia. The defendants include the City of Calhoun Georgia, several other carpet manufacturers, and certain manufacturers and sellers of chemicals containing PFAS. No specific amount of damages has been demanded. The Company has denied liability and is vigorously defending the matter.

On March 1, 2024, the City of Calhoun Georgia served an answer and crossclaim for Damages and injunctive relief in the pending matter styled: In re: Moss Land Company, LLC and Revocable living Trust of William Darryl Edwards by and through William Darryl Edwards, Trustee v. The Dixie Group, Inc. In the Superior Court of Gordon County Georgia, case Number: 24CV73929. In its Answer and Crossclaim defendant Calhoun sues The Dixie Group, Inc. and other named carpet manufacturing defendants for unspecified monetary damages and other injunctive relief based on injury claimed to have resulted from defendant's use and disposal of chemical wastewater containing PFAS chemicals. The Company has filed an answer denying liability and is vigorously defending the matter.

On May 7, 2024, the Company was sued, together with 15 other named defendants, in a matter styled William Hartwell Brooks, et al v the City of Calhoun Georgia, In the Superior Court of Gordon County Georgia, civil action number 24CV74289. The case seeks unspecified monetary and other damages alleged to have been suffered by plaintiffs as landowners by the discharge of PFAS chemicals in proximity to or directly adjacent to their properties. The Company has filed an answer denying liability and is vigorously defending the matter.

On February 14, 2025, the Company was sued along with 15 other named defendants in a matter styled: Stephens v the Dixie Group, Inc. et al. In the Superior Court of Gordon County, Georgia, case no 25CV7507. The case seeks unspecified monetary and other damages alleged to have been suffered by plaintiffs as landowners by the discharge of PFOA, PFOS and related chemicals in proximity to or directly adjacent to their property. The Company intends to file an answer to the complaint, denying liability, and to vigorously defend the matter.

(amounts in thousands, except per share data)

NOTE 18 - OTHER (INCOME) EXPENSE, NET

Other operating (income) expense, net is summarized as follows:

	2024	2023
Other operating (income) expense, net:		
Lease income	**$ (1,879)**	$ (705)
Lease expense	**1,992**	—
Insurance proceeds	**(161)**	(616)
Loss on property, plant and equipment disposals	**(24)**	2
Gain on sale of building	**—**	(8,198)
Loss on currency exchanges	**136**	36
Retirement expenses	**148**	195
Miscellaneous (income) expense	**(12)**	114
Other operating (income) expense, net	**$ 200**	$ (9,172)

Beginning in fiscal 2024, the Company began to allocate direct expenses associated with the leases to lease expenses in other operating (income) expense. The 2023 insurance proceeds includes reimbursement for claims filed for building flood in 2023 and cyber event from 2021.

Other income, net is summarized as follows:

	2024	2023
Other income, net:		
Gain on extinguishment of debt, net	**$ —**	$ (419)
Miscellaneous income	**(7)**	(12)
Other income, net	**$ (7)**	$ (431)

NOTE 19 - FACILITY CONSOLIDATION AND SEVERANCE EXPENSES, NET

2022 Consolidation of East Coast Manufacturing Plan

During 2022, the Company implemented a plan to consolidate its East Coast manufacturing in order to reduce its manufacturing costs. Under this plan, the Company will consolidate its East Coast tufting operations into one plant in North Georgia and relocate the distribution of luxury vinyl flooring from its Saraland, Alabama facility to its Atmore, Alabama facility. Costs for the plan will include machinery and equipment relocation, inventory relocation, staff reductions and unabsorbed fixed costs during conversion of the Atmore facility. Costs related to the facility consolidation plan is summarized as follows:

					As of December 28, 2024	
	Accrued Balance at December 30, 2023	2024 Expenses (1)	2024 Cash Payments	Accrued Balance at December 28, 2024	Total Costs Incurred to Date	Total Expected Costs
Consolidation of East Coast Manufacturing Plan	$ 36	$ 418	$ 454	$ —	$ 8,133	$ 8,460
Asset Impairments/Non-cash items	$ —	$ 909	$ —	$ —	$ 2,626	$ 2,912

	Accrued Balance at December 31, 2022	2023 Expenses (1)	2023 Cash Payments	Accrued Balance at December 30, 2023
Consolidation of East Coast Manufacturing Plan	$ 1,011	$ 2,886	$ 3,861	$ 36
Asset Impairments/Non-cash items	$ —	$ 981	$ —	$ —

(amounts in thousands, except per share data)

(1) Costs incurred under these plans are classified as "facility consolidation and severance expenses, net" in the Company's Consolidated Statements of Operations.

NOTE 20 - DISCONTINUED OPERATIONS

The Company has either sold or discontinued certain operations that are accounted for as "Discontinued Operations" under applicable accounting guidance. Discontinued operations are summarized as follows:

	2024	2023
Workers' compensation costs from former textile operations	**$ (94)**	$ (87)
Environmental remediation costs from former textile operations	**—**	(49)
Commercial business operations	**(696)**	(718)
Loss from discontinued operations, before taxes	**$ (790)**	$ (854)
Income tax benefit	**—**	(88)
Loss from discontinued operations, net of tax	**$ (790)**	$ (766)

Workers' compensation costs from former textile operations

Undiscounted reserves are maintained for the self-insured workers' compensation obligations related to the Company's former textile operations. These reserves are administered by a third-party workers' compensation service provider under the supervision of Company personnel. Such reserves are reassessed on a quarterly basis. Pre-tax cost incurred for workers' compensation as a component of discontinued operations primarily represents a change in estimate for each period from unanticipated medical costs associated with the Company's obligations.

Environmental remediation costs from former textile operations

Reserves for environmental remediation obligations are established on an undiscounted basis. The Company has an accrual for environmental remediation obligations related to discontinued operations of $2,174 as of December 28, 2024 and $2,205 as of December 30, 2023. The liability established represents the Company's best estimate of possible loss and is the reasonable amount to which there is any meaningful degree of certainty given the periods of estimated remediation and the dollars applicable to such remediation for those periods. The actual timeline to remediate, and thus, the ultimate cost to complete such remediation through these remediation efforts, may differ significantly from the Company's estimates. Pre-tax cost for environmental remediation obligations classified as discontinued operations were primarily a result of specific events requiring action and additional expense in each period.

(amounts in thousands, except per share data)

Commercial business operations

In accordance with the Asset Purchase Agreement dated September 13, 2021, the Company sold assets that include certain inventory, certain items of machinery and equipment used exclusively in the Commercial Business, and related intellectual property. Additionally, the Company agreed not to compete with the specified commercial business and the Atlas|Masland markets for a period of five years following September 13, 2021. The agreement allowed for the Company to sell the commercial inventory retained by the company after the divestiture.

The Company reclassified the following assets and liabilities for discontinued operations in the accompanying Consolidated Balance Sheets:

	2024	2023
Current Assets of Discontinued Operations:		
Receivables, net	**$ —**	$ 158
Inventories, net	**—**	107
Current Assets Held for Discontinued Operations	**$ —**	$ 265
Long Term Assets of Discontinued Operations:		
Property, plant and equipment, net	**$ —**	$ 176
Other assets	**1,064**	1,138
Long Term Assets Held for Discontinued Operations	**$ 1,064**	$ 1,314
Current Liabilities of Discontinued Operations:		
Accounts payable	**$ 121**	$ 128
Accrued expenses	**1,035**	1,009
Current Liabilities Held for Discontinued Operations	**$ 1,156**	$ 1,137
Long Term Liabilities of Discontinued Operations:		
Other long term liabilities	**$ 3,398**	$ 3,536
Long Term Liabilities Held for Discontinued Operations	**$ 3,398**	$ 3,536

For the twelve months ended December 28, 2024 and December 30, 2023, the Company reclassified the following operations of the Commercial business included in discontinued operations in the accompanying Consolidated Statements of Operations:

	2024	**2023**
Net sales	**$ —**	$ 199
Cost of sales	**554**	624
Gross profit (loss)	**(554)**	(425)
Selling and administrative expenses	**(34)**	178
Other operating expense, net	**176**	115
Loss from discontinued Commercial business before taxes	**$ (696)**	$ (718)

NOTE 21 - SEGMENT REPORTING

Based on applicable accounting standards, the Company has determined that it has one reportable segment, Floorcovering. The Floorcovering segment derives revenues from customers through the sale of residential floorcovering products which include broadloom carpet, rugs, luxury vinyl flooring and engineered hardwood. These products are sold into the designer, retailer, mass merchant and builder markets. The Company derives revenues primarily in the United States and Canada and manages the business activities on a consolidated basis. No customer accounted for more than 10% of net sales in 2024 or 2023, nor did the Company make a significant amount of sales to foreign countries outside of Canada during 2024 or 2023.

The accounting policies of the Floorcovering segment are the same as those described in the summary of significant accounting policies. The chief operating decision maker ("CODM"), which is the Company's Chief Executive Officer, assesses performance of the Floorcovering segment and decides how to allocate resources based on segment operating income (loss). The CODM uses segment operating income (loss) to monitor budget versus actual results and is used in assessing the performance of the segment. The measure of segment assets is reported on the balance sheet as total assets.

(amounts in thousands, except per share data)

The following table outlines information about the reported segment including net sales, significant segment expenses, and segment operating income (loss) for fiscal years 2024 and 2023.

	Floorcovering	
	2024	**2023**
Net sales	**$ 265,026**	$ 276,343
Less: significant segment expenses (1)		
Cost of sales	**199,515**	202,464
Selling expenses	**50,508**	52,176
Administrative expenses	**19,342**	21,960
Segment operating income (loss)	**(4,339)**	(257)
Reconciliation of segment operating income (loss) to operating income (loss)		
Other operating income (expense), net	**200**	(9,172)
Facility consolidation and severance expenses, net	**1,327**	3,867
Operating income (loss)	**$ (5,866)**	$ 5,048

(1) Significant segment expense categories and amounts align with information that is regularly provided to the CODM, included in the measure of segment profit, and considered to be significant. Amounts include the allocation of corporate overhead.

Geographical Disclosures

	2024	**2023**
Geographic net sales:		
United States	**$ 261,729**	$ 273,032
Canada	**2,438**	2,554
Other	**859**	757
Total	**$ 265,026**	$ 276,343
Long-lived assets: (1)		
United States	**$ 59,115**	$ 60,330
Other	**—**	—
Total	**$ 59,115**	$ 60,330

(1) Long-lived assets are comprised of property, plant and equipment - net and operating lease right-of-use assets.

NOTE 22 - SUBSEQUENT EVENT

On February 25, 2025, the Company entered into a new $75,000 revolving credit agreement with MidCap Financial IV Trust, as agent, and lenders from time-to-time party thereto (collectively, “MidCap”). At close, proceeds from the credit facility were used to retire the Company’s existing revolving credit facility with Fifth Third Bank National Association (“Fifth Third”), as well as to post cash collateral to Fifth Third for the Company’s ongoing contingent letter of credit obligations issued by Fifth Third and to pay certain debt issuance costs, including fees to MidCap and legal and other expenses directly associated with the financing transaction. The credit agreement is secured by a security interest on all accounts receivable, inventory, and other assets other than certain excluded assets, including a deed to secure debt lien on the Company’s Calhoun and Chatsworth, Georgia facilities.

The Company’s borrowing capacity is based on certain percentages of values/sub-limits of the accounts receivable, inventory, and other assets (including the real properties serving as collateral for the loan). As of February 25, 2025, the unused borrowing availability under the MidCap revolving credit facility was $8,113 which is subject to a $6,000 minimum excess availability requirement. The revolving credit facility requires a lockbox arrangement, which provides for all cash receipts to be swept daily to reduce the balance outstanding. This arrangement, combined with the existence of a “subjective acceleration clause” (as defined by U.S. GAAP) in the revolving credit facility, requires the balance on the revolving credit facility to be classified as a current liability. The “subjective acceleration clause” allows the lender to declare an event of default if there is a material adverse change in the Company's business or financial condition. Upon the occurrence of an event of default, the lender may, among other things, declare all obligations payable in full.

Advances under the revolving credit facility bear interest at annual rates equal to SOFR (plus a 0.11448% SOFR adjustment) for a 1 month period, as defined with a floor of 1.00% or published SOFR, plus an applicable margin ranging between 3.75% and 4.25%. The applicable margin is determined based on the revolving loan availability percentage under the revolving credit facility with margins increasing as availability decreases. The Company is subject to a minimum excess availability covenant that is based upon a fixed charge coverage ratio and must be above a 1.10 to 1.00 ratio. The Company is subject to a monthly rolling minimum EBITDA requirement if availability is under 20% of the loan. The credit agreement is subject to customary terms and conditions and annual administrative and unused line fees with pricing varying based on excess availability. The agreement matures on February 25, 2028. The previous outstanding letters of credit now require a restricted cash deposit to serve as collateral for our self-insured workers' compensation program, a lease on one of our facilities and an electricity deposit.

Effective February 25, 2025, and simultaneous with closing the MidCap agreement, the Company’s existing revolving credit facility with Fifth Third was terminated in accordance with its terms.

Item 15(a)(2)

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
THE DIXIE GROUP, INC.
(dollars in thousands)

Description	Balance at Beginning of Year	Additions - Charged to Costs and Expenses	Additions - Charged to Other Account - Describe	Deductions - Describe		Balance at End of Year
Year ended December 28, 2024:						
Reserves deducted from asset accounts:						
Allowance for expected credit losses	$ 440	$ 194	$ —	$ 180	(1)	$ 454
Reserves classified as liabilities:						
Provision for claims, allowances and warranties	$ 3,478	$ 8,023	$ —	$ 7,772	(2)	$ 3,729
Year ended December 30, 2023:						
Reserves deducted from asset accounts:						
Allowance for expected credit losses	$ 111	$ 31	$ 388 (3)	$ 90	(1)	$ 440
Reserves classified as liabilities:						
Provision for claims, allowances and warranties	$ 3,383	$ 8,256	$ —	$ 8,161	(2)	$ 3,478

(1) Uncollectible accounts written off, net of recoveries. The Allowance for Expected Credit Losses is included in Receivables, net on the Consolidated Balance Sheet. See Note 4 - Receivables, Net for further information.

(2) Net reserve reductions for claims, allowances and warranties settled. The provision for claims, allowances and warranties is included in Accrued Expenses under Current Liabilities on the Consolidated Balance Sheet and included, along with the accrual of rebates, within the Provision for customer rebates, claims and allowances in Note 7 - Accrued Expenses.

(3) The Company adopted the new standard , ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, on January 1, 2023 using a modified retrospective transition approach, with the cumulative impact being $388 for continuing operations.

ANNUAL REPORT ON FORM 10-K
ITEM 15(b)
EXHIBITS

YEAR ENDED DECEMBER 28, 2024
THE DIXIE GROUP, INC.
DALTON, GEORGIA

Exhibit Index

EXHIBIT NO.	DESCRIPTION
(3.1)*	Text of Restated Charter of The Dixie Group, Inc. as Amended - Blackline Version. (Incorporated by Reference to Exhibit (3.4) to Dixie's Annual Report on Form 10-K for the year ended December 27, 2003.)
(3.2)*	Amended By-Laws of The Dixie Group, Inc. as of February 22, 2007. (Incorporated by Reference to Exhibit 3.1 to Dixie's Current Report on Form 8-K dated February 26, 2007.)
(5.1)*	Shelf Registration Statement on Form S-3. (Incorporated by Reference to Exhibit (5.1) to Dixie's Current Report on Form 8-K dated May 20, 2014.)
(10.1)*	The Dixie Group, Inc. New Non-qualified Retirement Savings Plan effective August 1, 1999. (Incorporated by Reference to Exhibit (10.1) to Dixie's Quarterly Report on Form 10-Q for the quarter ended June 26, 1999.)**
(10.2)*	Thornton Edge LLC Lease for Reed Road Facility. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 10-Q dated November 4, 2015.)
(10.3)*	Thornton Edge LLC First Lease Amendment for Reed Road Facility. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 10-Q dated November 4, 2015.)
(10.4)*	Thornton Edge LLC Second Lease Amendment for Reed Road Facility. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 10-Q dated November 4, 2015.)
(10.5)*	2016 Incentive Compensation Plan. (Incorporate by Reference to Appendix A to Dixie's Proxy Statement for the Registrant's Annual Meeting of Shareholders held May 3, 2016.)**
(10.6)*	Long Term Incentive Plan Award B Shareholder. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**
(10.7)*	Long Term Incentive Plan Award Common. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**
(10.8)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**
(10.9)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**
(10.10)*	Form of Stock Option Agreement - Class B Holder - 2016 Stock Plan. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated May 31, 2017.)**
(10.11)*	Long Term Incentive Plan Award B Shareholder. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.12)*	Long Term Incentive Plan Award Common. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.13)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.14)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.15)*	Agreement for the Purchase and Sale of Real Property between Saraland Industrial, LLC and TDG Operations, LLC and Lease Agreement between Saraland Industrial, LLC and TDG Operations. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated January 17, 2019.)
(10.16)*	Long Term Incentive Plan Award B Shareholder. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.17)*	Long Term Incentive Plan Award Common. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.18)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.19)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.20)*	Agreement For the Purchase and Sale of Real Property between CenterPoint Properties Trust and TDG Operations, LLC. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated October 22, 2019.)
(10.21)*	Form of Lease between CenterPoint Properties Trust and TDG Operations, LLC. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated October 22, 2019.)

(10.22)* Long Term Incentive Plan Award B Shareholder. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**

(10.23)* Long Term Incentive Plan Award Common. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**

(10.24)* Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**

(10.25)* Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**

(10.26)* Fifteenth Amendment to Credit Agreement. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated October 1, 2020.)

(10.27)* Loan Agreement dated effective as of October 26, 2020 entered into by and between The Dixie Group, a Tennessee corporation, and TDG Operations, LLC, a Georgia limited liability company, and AmeriState Bank, an Oklahoma state banking corporation. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.28)* Real Estate Mortgage, Security Agreement, Assignment of Rents and Fixture Filing for Atmore, Alabama facility dated effective as of October 26, 2020 entered into by and between The Dixie Group, a Tennessee corporation, and TDG Operations, LLC, a Georgia limited liability company, and AmeriState Bank, an Oklahoma state banking corporation. (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.29)* Real Estate Mortgage, Security Agreement, Assignment of Rents and Fixture Filing for Roanoke, Alabama facility dated effective as of October 26, 2020 entered into by and between The Dixie Group, a Tennessee corporation, and TDG Operations, LLC, a Georgia limited liability company, and AmeriState Bank, an Oklahoma state banking corporation. (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.30)* Loan Agreement dated effective as of October 29, 2020 entered into by and between The Dixie Group, a Tennessee corporation, and TDG Operations, LLC, a Georgia limited liability company (collectively, the "Borrowers"), and Greater Nevada Credit Union, a non-profit cooperative corporation organized under the laws of the State of Nevada. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.31)* Security Agreement dated effective as of October 29, 2020 entered into by and between The Dixie Group, a Tennessee corporation, and TDG Operations, LLC, a Georgia limited liability company, and Greater Nevada Credit Union, a non-profit cooperative corporation organized under the laws of the State of Nevada. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.32)* Credit Agreement dated as of October 30, 2020, among The Dixie Group, Inc., and TDG Operations, LLC and Fifth Third Bank, National Association, a national banking association. (Incorporated by Reference to Exhibit (10.6) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.33)* Guaranty and Security Agreement dated as of October 28, 2020, among The Dixie Group, Inc., and TDG Operations, LLC in favor of Fifth Third Bank, National Association, a national banking association. (Incorporated by Reference to Exhibit (10.7) to Dixie's Current Report on Form 8-K dated November 2, 2020.)

(10.34)* Long-Term Incentive Plan Award (Class B Shareholder). (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 12, 2021.)**

(10.35)* Long-Term Incentive Plan Award (Common). (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 12, 2021.)**

(10.36)* Career Shares (Class B Shareholder). (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 12, 2021.)**

(10.37)* Career Shares (Common). (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 12, 2021.)**

(10.38)* Omnibus Equity Incentive Plan as adopted by shareholders on May 4, 2022. (Incorporated by Reference to Appendix A to Dixie's Proxy Statement for the Registrant's Annual Meeting of Shareholders held May 4, 2022.)**

(10.39)* Long-Term Incentive Plan Award (Class B Shareholder). (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 16, 2022.)**

(10.40)* Long-Term Incentive Plan Award (Common). (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 16, 2022.)**

(10.41)* Career Shares (Class B Shareholder). (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 16, 2022.)**

(10.42)* Career Shares (Common). (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 16, 2022.)**

(10.43)* Long-Term Incentive Plan Award (Class B Shareholder). (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 13, 2023.)**

(10.44)* Long-Term Incentive Plan Award (Common). (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 13, 2023.)**

(10.45)* Career Shares (Class B Shareholder). (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 13, 2023.)**

(10.46)*	Career Shares (Common). (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 13, 2023.)**
(10.47)*	Form of Stock Option Agreement (Common) Options Granted Under the Omnibus Equity Incentive Plan Granted May 25, 2023. (Incorporated by Reference to Exhibit (10.47) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)**
(10.48)*	Form of Stock Option Agreement (Class B Shareholder) Options Granted Under the Omnibus Equity Incentive Plan Granted May 25, 2023. (Incorporated by Reference to Exhibit (10.48) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)**
(10.49)*	First Amendment to Credit Agreement dated September 10, 2021, among The Dixie Group, Inc. and TDG Operations, LLC and Fifth Third Bank, National Association. (Incorporated by Reference to Exhibit (10.49) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)
(10.50)*	Second Amendment to Credit Agreement dated July 29, 2022, among The Dixie Group, Inc. and TDG Operations, LLC and Fifth Third Bank, National Association. (Incorporated by Reference to Exhibit (10.50) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)
(10.51)*	Third Amendment to Credit Agreement dated June 9, 2023, among The Dixie Group, Inc. and TDG Operations, LLC and Fifth Third Bank, National Association. (Incorporated by Reference to Exhibit (10.51) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)
(10.52)*	Agreement for the Purchase and Sale of Real Property between Cannon Commercial, Inc. and TDG Adairsville, LLC. (Incorporated by Reference to Exhibit (10.52) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)
(10.53)*	Form of Lease between Adairsville GA, LLC and TDG Operations, LLC. (Incorporated by Reference to Exhibit (10.53) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)
(10.54)*	Summary of Annual Incentive Compensation Plan Applicable to 2024. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated March 13, 2024.)**
(10.55)*	Form of PLTI award (B shareholder). (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 13, 2024.)**
(10.56)*	Form of PLTI award (common only). (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 13, 2024.)**
(10.57)*	Form of Career Share award (B shareholder). (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 13, 2024.)**
(10.58)*	Form of Career Share award (common only). (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 13, 2024.)**
(10.59)*	Sublease Agreement between TDG Operations, LLC and Austal USA, LLC dated August 1, 2024. (Incorporated by Reference to Exhibit (10.1) to Dixie's Quarterly Report on Form 10-Q for the quarter ended September 28, 2024.)
(10.60)	Credit, Security and Guaranty Agreement dated as of February 25, 2025 by and among TDG Operations, LLC and The Dixie Group., and MidCap Funding IV Trust, as Agent and The Lenders from time to time party hereto. (Filed herewith.)
(10.61)*	Summary of Annual Incentive Compensation Plan Applicable to 2025. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated March 31, 2025.)**
(10.62)*	Form of PLTI award (B shareholder). (Incorporated by Reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 31, 2025.)**
(10.63)*	Form of PLTI award (common only). (Incorporated by Reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 31, 2025.)**
(10.64)*	Form of Career Share award (B shareholder). (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 31, 2025.)**
(10.65)*	Form of Career Share award (common only). (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report of Form 8-K dated March 31, 2025.)**
(14)*	Code of Ethics, as amended and restated, February 15, 2010. (Incorporated by Reference to Exhibit (14) to Dixie's Annual Report on Form 10-K for year ended December 26, 2009.)
(16)*	Letter from FORVIS, LLP regarding change in certifying accountant. (Incorporated by Reference to Exhibit (16.1) to Dixie's Form 8-K dated June 3, 2022.)
(19.1)*	Insider Trading Policies and Procedures. (Incorporated by Reference to Exhibit (19.1) to Dixie's Annual Report on Form 10-K for year ended December 30, 2023.)
(21)	Subsidiaries of the Registrant. (Filed herewith.)
(23)	Consent of Forvis Mazars, LLP Independent Registered Public Accounting Firm. (Filed herewith.)
(31.1)	CEO Certification pursuant to Securities Exchange Act Rule 13a-14(a). (Filed herewith.)
(31.2)	CFO Certification pursuant to Securities Exchange Act Rule 13a-14(a). (Filed herewith.)
(32.1)	CEO Certification pursuant to Securities Exchange Act Rule 13a-14(b). (Filed herewith.)
(32.2)	CFO Certification pursuant to Securities Exchange Act Rule 13a-14(b). (Filed herewith.)
(97)*	Recoupment Policy. (Incorporated by Reference to Exhibit (97) to Dixie's Annual Report on Form 10-K for year ended December 31, 2022.)
(101.INS)	XBRL Instance Document. (Filed herewith.)

(101.SCH)	XBRL Taxonomy Extension Schema Document. (Filed herewith.)
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)

* Commission File No. 0-2585.

** Indicates a management contract or compensatory plan or arrangement.

THE DIXIE GROUP

2024 PROXY STATEMENT

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

SCHEDULE 14A INFORMATION
(Rule 14a-101)

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

Filed by the Registrant ☑ Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

The Dixie Group, Inc.

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☑ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:
5) Total fee paid:

☐ Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:
2) Form, Schedule or Registrant Statement No.:
3) Filing Party:
4) Date Filed:

THE DIXIE GROUP, INC.
475 Reed Road
P.O. Box 2007
Dalton, Georgia 30722-2007
(706) 876-5800

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of The Dixie Group, Inc.:

The Annual Meeting of Shareholders of The Dixie Group, Inc. will be held at the Corporate Office, 475 Reed Road, Dalton, Georgia, on May 7, 2025 at 8:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect six individuals to the Board of Directors for a term of one year each;

2. To cast an advisory vote on the Company's Executive Compensation for its named executive officers ("Say-on-Pay");

3. To ratify appointment of Forvis Mazars, LLP to serve as independent registered public accountants of the Company for 2025; and

4. Such other business as may properly come before the Annual Meeting of Shareholders or any adjournment thereof.

Only shareholders of record of the Common Stock and Class B Common Stock at the close of business on March 10, 2025, are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

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

The Dixie Group, Inc.

Daniel K. Frierson
Chairman of the Board

Dalton, Georgia
Dated: April 11, 2025

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

Important Notice

Regarding Internet

Availability of Proxy Materials

for the

Annual Meeting of Shareholders

to be held on

May 7, 2025

The proxy statement and annual report to shareholders are available under "Annual Report" and "Proxy Materials" at www.dixiegroup.com/Investor, "Financial Document Library."

THE DIXIE GROUP, INC.
475 Reed Road
P.O. Box 2007
Dalton, Georgia 30722-2007
(706) 876-5800

ANNUAL MEETING OF SHAREHOLDERS
May 7, 2025

PROXY STATEMENT

INTRODUCTION

The enclosed Proxy is solicited on behalf of the Board of Directors of the Company for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and the enclosed Proxy will be mailed on or about April 11, 2025, to shareholders of record of the Company's Common Stock and Class B Common Stock as of the close of business on March 10, 2025.

At the Annual Meeting, holders of the Company's Common Stock, $3.00 par value per share ("Common Stock"), and Class B Common Stock, $3.00 par value per share ("Class B Common Stock"), will be asked to: (i) elect six (6) individuals to the Board of Directors for a term of one year each, (ii) cast an advisory vote on the Company's executive compensation for its named executive officers; (iii) ratify the appointment of Forvis Mazars, LLP to serve as independent registered public accountants of the Company for 2025, and (iv) transact any other business that may properly come before the meeting.

The Board of Directors recommends that the Company's shareholders vote (i) **FOR** electing the six (6) nominees for director; (ii) **FOR** approving the Company's executive compensation of its named executive officers; and (iii) **FOR** ratifying the appointment of Forvis Mazars, LLP to serve as independent registered public accountants of the Company for 2025.

RECORD DATE, VOTE REQUIRED AND RELATED MATTERS

The Board has fixed the close of business on March 10, 2025, as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. In accordance with the Company's Charter, each outstanding share of Common Stock is entitled to one vote, and each outstanding share of Class B Common Stock is entitled to 20 votes, exercisable in person or by properly executed Proxy, on each matter brought before the Annual Meeting. Cumulative voting is not permitted. As of March 10, 2025, 13,997,446 shares of Common Stock, representing 13,997,446 votes, were held of record by approximately 2,500 shareholders (including an estimated 2,050 shareholders whose shares are held in nominee names) and 1,249,302 shares of Class B Common Stock, representing 24,986,040 votes, were held by 10 individual shareholders, together representing an aggregate of 38,983,486 votes.

Shares represented at the Annual Meeting by properly executed Proxy will be voted in accordance with the instructions indicated therein unless such Proxy has previously been revoked. If no instructions are indicated, such shares will be voted (i) **FOR** electing the six (6) nominees for director; (ii) **FOR** approving the Company's executive compensation of its named executive officers; and (iii) **FOR** ratifying the appointment of Forvis Mazars, LLP to serve as independent registered public accountants of the Company for 2025.

Any Proxy given pursuant to this solicitation may be revoked at any time by the shareholder giving it by (i) delivering to the Corporate Secretary of the Company a written notice of revocation bearing a later date than the Proxy, (ii) submitting a later-dated, properly executed Proxy, or (iii) revoking the Proxy and voting in person at the Annual Meeting. Attendance at the Annual Meeting will not, in and of itself, constitute a revocation of a Proxy. Any written notice revoking a Proxy should be sent to The Dixie Group, Inc., P.O. Box 2007, Dalton, Georgia 30722-2007, Attention: Derek Davis.

The persons designated as proxies were selected by the Board of Directors and are Daniel K. Frierson and Michael L. Owens. The cost of solicitation of Proxies will be borne by the Company.

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

Approval of the Company's executive compensation for its named executive officers will be deemed to have been obtained if the number of votes properly cast in favor of such compensation exceeds the number of votes cast against such compensation.

Ratification of the appointment of Forvis Mazars, LLP to serve as independent registered public accountants of the Company for 2025 will be approved if the number of votes properly cast favoring ratification exceeds the number of votes cast opposing ratification.

Shares covered by abstentions and broker non-votes, while counted for purposes of determining the presence of a quorum at the Annual Meeting, are not considered to be affirmative or negative votes for purposes of Proposal One. Abstentions and broker non-votes will have no effect upon the election of a nominee for director, so long as such nominee receives any affirmative votes.

A copy of the Company's Annual Report for the year-ended December 28, 2024 is enclosed herewith.

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

PRINCIPAL SHAREHOLDERS

Shareholders of record at the close of business on March 10, 2025, the Record Date, will be entitled to notice of and to vote at the Annual Meeting.

The following is information regarding beneficial owners of more than 5% of the Company's Common Stock or Class B Common Stock. Beneficial ownership information is also presented for (i) the executive officers named in the Summary Compensation Table (the "Named Executive Officers"); (ii) all directors and nominees; and (iii) all directors and executive officers, as a group, as of March 10, 2025 (except as otherwise noted).

Name and Address of Beneficial Owner	Title of Class	Number of Shares Beneficially Owned(1)(2)		% of Class
Daniel K. Frierson 111 East and West Road Lookout Mountain, TN 37350	Common Stock Class B Common Stock	1,412,565 1,249,302	(3) (4)	9.2 % 100 %
Jeffrey L. Gendell 1 Sound Shore Drive, Suite 304 Greenwich, CT 06830-7251	Common Stock	1,391,473	(5)	9.9 %
Hodges Capital Holdings, Inc. 2905 Maple Avenue Dallas, TX 75201	Common Stock	1,385,900	(6)	9.9 %
Robert E. Shaw 115 West King Street Dalton, GA 30722-1005	Common Stock	2,131,944	(7)	15.2 %

Additional Directors and Executive Officers	Title of Class	Number of Shares Beneficially Owned (1)		% of Class
William F. Blue, Jr.	Common Stock	65,571	(8)	*
Charles E. Brock	Common Stock	57,341	(9)	*
D. Kennedy Frierson, Jr.	Common Stock	443,399	(10)	3 %
	Class B Common Stock	426,549	(10)	34.1 %
Hilda S. Murray	Common Stock	57,341	(11)	*
T.M. Nuckols, Jr.	Common Stock	164,563	(12)	*
Michael L. Owens	Common Stock	53,175	(13)	*
All Directors, Named Executive Officers and Executive Officers as Group (10 Persons) **	Common Stock	2,190,236	(14)	14.3 **%**
	Class B Common Stock	1,249,302	(15)	100 **%**

* *Percentage of shares beneficially owned does not exceed 1% of the Class.*

*** The total vote of Common Stock and Class B Common Stock represented by the shares held by all directors and executive officers as a group is 27,176,276 votes or 69.7% of the total vote.*

(1) Under the rules of the Securities and Exchange Commission and for the purposes of these disclosures, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose or to direct the disposition of such security. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities. The Class B Common Stock is convertible on a share-for-share basis into shares of Common Stock, and accordingly, outstanding shares of such stock are treated as having been converted to shares of Common Stock for purposes of determining both the number and percentage of class of Common Stock for persons set forth in the table who hold such shares.

(2) Does not include 89,548 shares of Common Stock owned by The Dixie Group, Inc. 401(k) Retirement Savings Plan (the "401(k) Plan") for which Daniel K. Frierson is a fiduciary and for which Bank of America, N.A. serves as Trustee. Participants in the 401(k) Plan may direct the voting of all shares of Common Stock held in their accounts, and the Trustee must vote all shares of Common Stock held in the 401(k) Plan in the ratio reflected by such direction. Participants may also direct the disposition of such shares. Accordingly, for purposes of these disclosures, shares held for participants in the 401(k) Plan are reported as beneficially owned by the participants.

(3) Mr. Daniel K. Frierson's beneficial ownership of Common Stock and Class B Common Stock may be summarized as follows:

	Number of Shares Common Stock		**Number of Shares Class B Common Stock**	
Shares held outright	41,886	(a)	587,370	(a)
Shares held in his Individual Retirement Account	3,567	(a)		
Shares held in 401(k) Plan	796	(a)	—	
Shares held by his wife	—		94,879	(c)
Shares held by his children, their spouses and grandchildren	32,715	(b)	484,771	(c)
Unvested restricted stock	84,299	(a)	76,796	(a)
Shares held by family Unitrust	—		5,486	(a)
Deemed conversion of his Class B Common Stock	1,249,302		—	
Total	1,412,565		1,249,302	

(a) Sole voting and investment power
(b) Shared voting power
(c) May be deemed to have sole voting and shared investment power

Total does not include 60,000 shares of non-exercisable stock options.

(4) The 1,249,302 includes 585,136 shares of Class B Common Stock held by the group comprised of Daniel K. Frierson, his wife, two of their five children (including D. Kennedy Frierson, Jr., his son) and certain family trusts which hold Class B Common Stock. Such shares were held pursuant to a Shareholder Agreement among the parties, which has not been renewed following its expiration in 2023. The Class B Common Stock held by the parties is convertible on a share for share basis into shares of Common Stock. Because of the unity of interests of the parties (and their intention to vote as a group) at the annual meeting, they may be deemed to be members of a "group" for purposes of Section 13(d) of the act and for purposes of reporting beneficial ownership of the Common Stock (and Class B Common Stock) of The Dixie Group, Inc., and accordingly Daniel K. Frierson, and the other parties to the agreement have jointly filed a report on Schedule 13(d) reporting beneficial ownership of the Common Stock (and Class B Common Stock) which they own.

(5) Jeffrey L. Gendell. has reported the beneficial ownership of an aggregate of 1,446,782 shares of Common Stock for which he has 1,391,473 shared voting power and 1,391,473 shared dispositive power and 47,235 sole voting and sole dispositive power (with Tontine Asset Associates, LLC). The reported information is based upon the Schedule 13G filed by Tontine Asset Associates, LLC and Mr. Gendell, managing member of Tontine Asset Associates, LLC, with the Securities and Exchange Commission on Feburary 13, 2024.

(6) Hodges Capital Holdings, Inc., Craig Hodges, Hodges Capital Management, Inc., Hodges Fund, Hodges Small Intrinsic Value Fund, and First Dallas Securities, Inc. has reported beneficial ownership of an aggregate of 1,385,900 shares of Common Stock. Hodges Capital Holdings, Inc. reports having shared voting power of 1,127,845 and 1,385,900 shared dispositive power. The reported information is based upon the Schedule 13G filed by Hodges Capital Holdings, Inc. with the Securities and Exchange Commission on February 2, 2021.

(7) Robert E. Shaw has reported the beneficial ownership of an aggregate of 2,131,944 shares of Common Stock for which he has 2,131,944 shared voting power and 2,131,944 shared dispositive power. The reported information is based upon the Schedule 13G filed by Mr. Shaw with the Securities and Exchange Commission on October 21, 2024.

(8) Mr. William F. Blue, Jr.'s beneficial ownership may be summarized as follows:

	Number of Shares Common Stock
Director's Vested Restricted Stock Award	24,000
Director's Unvested Restricted Stock Award	8,000
Shares held outright	12,609
Performance Units, convertible into shares of Common Stock on retirement as a director	20,962
Total	65,571

(9) Mr. Charles E. Brock's beneficial ownership may be summarized as follows:

	Number of Shares Common Stock
Director's Vested Restricted Stock Award	24,000
Director's Unvested Restricted Stock Award	8,000
Shares held outright	—
Performance Units, convertible into shares of Common Stock on retirement as a director	25,341
Total	57,341

(10) Mr. D. Kennedy Frierson Jr.'s beneficial ownership may be summarized as follows:

	Number of Shares Common Stock	**Number of Shares Class B Common Stock**	
Shares held outright	—	158,972	(a)
Shares held by his wife	100	—	
Shares held in trust(s) for children	2,585	15,540	(a)
Shares held in 401(k)	2,301	—	
Unvested Restricted Stock	11,864	252,037	(a)
Exercisable Stock Options	—	—	
Deemed conversion of Class B Stock	426,549	—	(a)
Total	443,399	426,549	

(a) Held as described in Note (4), above. Mr. Kennedy Frierson has sole investment power, and shared voting power with respect to such shares.

Total does not include 40,000 shares of non-exercisable stock options.

(11) Ms. Hilda S. Murray's beneficial ownership may be summarized as follows:

	Number of Shares Common Stock
Director's Vested Restricted Stock Award	24,000
Director's Unvested Restricted Stock Award	8,000
Shares held outright	—
Performance Units, convertible into shares of Common Stock on retirement as a director	25,341
Total	57,341

(12) Mr. T.M. Nuckols, Jr.'s beneficial ownership may be summarized as follows:

	Number of Shares Common Stock
Shares held outright	60,119
Unvested Restricted Stock	104,444
Total	164,563

Total does not include 25,000 shares of non-exercisable stock options.

(13) Mr. Michael L. Owens' beneficial ownership may be summarized as follows:

	Number of Shares Common Stock
Director's Vested Restricted Stock Award	24,000
Director's Unvested Restricted Stock Award	8,000
Shares held outright	—
Performance Units, convertible into shares of Common Stock on retirement as a director	21,175
Total	53,175

(14) Includes: (i) 374,104 shares of Common Stock owned directly by individuals in this group; (ii) 7,909 shares of Common Stock allocated to accounts in the 401(k) Plan of members of this group; (iii) 92,819 shares of Common Stock held pursuant to performance units issued as payment of one-half of the annual retainer for the Company's non-employee directors; (iv) 32,000 shares of Common Stock held by the Company's non-employee directors as an unvested award of Restricted Stock; (v) 96,000 shares of Common Stock held by the Company's non-employee directors as a vested award of Restricted Stock; (vi) 17,688 shares of Common Stock owned by immediate family members of certain members of this group; (vii) 3,567 shares held in individual retirement accounts; (viii) 316,847 unvested restricted shares of Common Stock held by individuals in this group, which shares may be voted by such individuals; and (ix) 1,249,302 shares of Class B Common Stock held by individuals in this group, that could be converted on a share for share basis into shares of Common Stock.

(15) Includes: (i) 1,249,302 shares of Class B Common Stock held as described in Note (4) above.

PROPOSAL ONE
ELECTION OF DIRECTORS

Information About Nominees for Director

Pursuant to the Company’s Bylaws, all Directors are elected to serve a one year term, or until their successors are elected and qualified. The Board of Directors is permitted to appoint Directors to fill the unexpired terms of Directors who resign.

The names of the nominees for election to the Board, their ages, their principal occupation or employment (which has continued for at least the past five years unless otherwise noted), directorships held by them in other publicly-held corporations or investment companies, the dates they first became Directors of the Company, and certain other relevant information with respect to such nominees are as follows:

William F. Blue, Jr., age 66, is the Co-Founder and Director of The Hopeway Foundation in Charlotte, North Carolina. From 2008 until his retirement in 2014, he served as Vice Chairman of Investment Banking and Capital Markets, part of Wells Fargo Securities, LLC, in Charlotte. Throughout his 29-year investment banking career, he represented foreign and domestic corporations in financing and advisory assignments, including acquisitions, divestitures, recapitalizations, fairness opinions, and public and private equity and debt offerings. From 1998 until 2008, Mr. Blue served as group head of the Wachovia Consumer and Retail Investment Banking group. Before joining Wachovia, he was a managing director in the Mergers and Acquisitions group of NationsBanc Montgomery Securities, the predecessor firm to Banc of America Securities. Mr. Blue is a member of the Company's Audit Committee, Executive Committee and Chairman of the Company’s Compensation/Nominations and Corporate Governance Committee. Mr. Blue serves as Lead Independent Director and chairs Executive Sessions of the Board. Mr. Blue has been a Director of the Company since October 2014.

Charles E. Brock, age 60, is the CEO of the Chattanooga Quantum Collaborative, a non-profit focused on developing a quantum ecosystem in SE TN. He is also the owner of Brock Partnerships, an entrepreneurial advisory and investment firm. From 2013-2018, Mr. Brock served as President and Chief Executive Officer of Launch Tennessee, a public-private partnership, focused on the development of high-growth companies in Tennessee. Previously, he served as the Executive Entrepreneur of The Company Lab, and was a founding partner of the Chattanooga Renaissance Fund, a locally based angel investment group. Mr. Brock also serves as a director of Pinnacle Financial Partners. Mr. Brock is a member of the Company’s Audit Committee and a member of the Company's Compensation/Nominations and Corporate Governance Committee. He has been a Director of the Company since 2012.

Daniel K. Frierson, age 83, is Chairman of the Board of the Company, a position he has held since 1987. He also has been Chief Executive Officer of the Company since 1980 and a Director of the Company since 1973. Mr. Frierson serves as a Director of Printpack, Inc., a world leading Flexible Packaging Company, headquartered in Atlanta, Georgia and serves as Chairman of its Compensation Committee. Mr. Frierson is Chairman of the Executive Committee.

D. Kennedy Frierson, Jr., age 58, is Chief Operating Officer of the Company, a position he has held since 2009. He has been President of Masland Residential, General Manager of Dixie Home, and President of Bretlin as well as various other positions in operations, sales and senior management of the Company since 1998. He has been a Director of the Company since 2012.

Hilda S. Murray, age 70, is the Corporate Secretary and Executive Vice President of TPC Printing & Packaging, a specialty packaging and printing company in Chattanooga, TN. She is also founder and President of Greener Planet, LLC, an environmental compliance consultant to the packaging and printing industry. Ms. Murray has been a Director of the Company since 2012, is a member of the Company’s Audit Committee, and is a member of the Company’s Compensation/Nominations and Corporate Governance Committee.

Michael L. Owens, age 68, is Assistant Dean of Graduate Programs and Lecturer in the College of Business at the University of Tennessee at Chattanooga, Chattanooga, Tennessee. Prior to joining the University of Tennessee at Chattanooga, Mr. Owens was President of Coverdell & Company, Atlanta, Georgia. Prior to joining Coverdell, he was Senior Vice President and Chief Operating Officer of Monumental Life Insurance Company. He has been a Director of the Company since 2014 and is Chairman of the Company's Audit Committee.

D. Kennedy Frierson, Jr., the Company’s Vice President and Chief Operating Officer, is the son of Daniel K. Frierson. No other director, nominee, or executive officer of the Company has any family relationship, not more remote than first cousin, to any other director, nominee, or executive officer.

Considerations with Respect to Nominees

In selecting the slate of nominees for 2025, the independent Directors of the Board considered the familiarity of the Company’s incumbent Directors with the business and prospects of the Company, developed as a result of their service on the

Company's Board. The Board believes that such familiarity will be helpful in their service on the Company's Board. With respect to all nominees, the independent Directors of the Board noted the particular qualifications, experience, attributes and skills possessed by each nominee. These qualifications are reflected in the business experience listed under each nominee's name above. In order of the list of nominees, such information may be summarized as follows: Mr. Blue is an experienced investment banker having been Vice Chairman of Wells Fargo Securities and involved with capital formation, mergers, acquisitions and financing of various types of venture; he chairs the Company's Compensation/Nominations and Corporate Governance Committee. Mr. Brock is experienced in establishing new businesses having been involved in the establishment of both Foxmark Media and CapitalMark Bank and Trust. Mr. Daniel K. Frierson has served with the Company in several management and executive capacities his entire adult life, and has been Chief Executive Officer since 1980 and a Board member since 1973. In such capacity, he has been instrumental in planning and implementing the transition of the Company to its current position as a manufacturer of residential floorcovering products. Additionally, Mr. Frierson has experience as a board member of other public companies as well as significant trade group experience relevant to the Company's business. He is well known and respected throughout the industry. Mr. D. Kennedy Frierson, Jr. has served with the Company in various capacities since 1992. He is currently Chief Operating Officer. Ms. Murray has a long history of executive management experience at TPC Printing and Packaging, a provider to the specialty packaging business as well as experience with environmental controls and footprint through Greener Planet. Mr. Owens has extensive business and management experience, having served as President of Coverdell & Company prior to joining the University of Tennessee at Chattanooga. In addition, he has auditing experience having been employed as a certified public accountant and is Chairman of the Company's Audit Committee.

The Board of Directors recommends that the Company's shareholders vote FOR electing the six (6) nominees for director.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

Meetings of the Board of Directors

The Board of Directors of the Company met five (5) times in 2024.

Committees, Attendance, and Directors' Fees

The Company has a standing Executive Committee, Audit Committee and a Compensation/Nominations and Corporate Governance Committee. Copies of the Company's Audit Committee and Compensation/Nominations and Corporate Governance Committee charters, and the Company's resolution establishing the Executive Committee's authority may be found on the Company's website at www.dixiegroup.com/investor.

Current members of the Executive Committee are Daniel K. Frierson, Chairman, and William F. Blue, Jr. Except as otherwise limited by law or by resolution of the Board of Directors, the Executive Committee has and may exercise all of the powers and authority of the Board of Directors for the management of the business and affairs of the Company, which power the Executive Committee exercises between the meetings of the full Board of Directors.

Current members of the Audit Committee are Michael L. Owens, Chairman, William F. Blue, Jr., Charles E. Brock, and Hilda S. Murray. All of the members of the Audit Committee are "independent directors" as that term is defined by applicable regulations and rules of the National Association of Securities Dealers, Inc. ("NASD"). The Audit Committee evaluates audit performance, handles relations with the Company's independent auditors, and evaluates policies and procedures relating to internal accounting functions and controls. The Audit Committee has the authority to engage the independent accountants for the Company. The Audit Committee operates pursuant to an Audit Committee Charter adopted by the Board of Directors. The Audit Committee has implemented pre-approval policies and procedures related to the provision of audit and non-audit services performed by the independent auditors. Under these procedures, the Audit Committee approves the type of services to be provided and the estimated fees related to those services.

The Audit Committee met four (4) times in 2024.

Current members of the Compensation/Nominations and Corporate Governance Committee are William F. Blue, Jr., Chairman, Charles E. Brock, and Hilda S. Murray. In its role as a Compensation Committee it administers the Company's compensation plans, reviews and may establish the compensation of the Company's officers, and makes recommendations to the Board of Directors concerning such compensation and related matters. The Committee acts pursuant to a written Charter adopted by the Board of Directors.

The Committee may request recommendations from the Company's management concerning the types and levels of compensation to be paid to the Company's executive officers. Additionally, the Committee is authorized to engage compensation consultants and may review and consider information and recommendations of compensation consultants otherwise engaged by the Company or the Board of Directors in connection with the assessment, review and structuring of compensation plans and compensation levels. For a description of the Committee actions with respect to Compensation of Executive Officers for 2024, see ***Compensation Discussion and Analysis - Compensation for 2024.***

Annually, the Committee reviews the performance of the Chief Executive Officer against goals and objectives established by the Committee as part of the process of determining his compensation. The Committee reports to the Board on its performance review.

The Compensation/Nominations and Corporate Governance Committee met two (2) times in 2024, in its role as a Compensation Committee and once in its role as a Nominations and Corporate Governance Committee. In its role as a Nominations and Corporate Governance Committee, the Committee develops and recommends for board approval corporate governance guidelines.

The Compensation/Nominations and Corporate Governance Committee's Charter includes the duties of a corporate governance committee and of a nominating committee. Nominees approved by a majority of the Committee are recommended to the full Board. In selecting and approving director nominees, the Committee considers, among other factors, the existing composition of the Board and the mix of Board members appropriate for the perceived needs of the Company. The Committee believes continuity in leadership and board tenure increase the Board's ability to exercise meaningful board oversight. Because qualified incumbent directors provide stockholders the benefit of continuity of leadership and seasoned judgment gained through experience as a director of the Company, the Committee will generally give priority as potential candidates to those incumbent directors interested in standing for re-election who have satisfied director performance expectations, including regular attendance at, preparation for and meaningful participation in Board and committee meetings.

The Committee also considers the following in selecting the proposed nominee slate:

- at all times at least a majority of directors must be “independent” in the opinion of the Board as determined in accordance with relevant regulatory and NASD standards;

- at all times at least three members of the Board must satisfy heightened standards of independence for Audit Committee members; and

- at all times the Board should have at least one member who satisfies the criteria to be designated by the Board as an “audit committee financial expert”.

In selecting the current slate of director nominees, the Committee considered overall qualifications and the requirements of the makeup of the Board of Directors. The Board considered the value of the incumbents’ familiarity with the Company and its business as well as the considerations outlined above under the heading ***Considerations with Respect to Nominees***.

Board Leadership Structure

Mr. Daniel K. Frierson currently serves as the Chairman of the Board and the Chief Executive Officer of the Company. The positions of Chief Executive Officer and Chairman of the Board are combined. Executive Sessions of the Board are chaired by Director William F. Blue, Jr. Mr. Blue and the independent directors set their own agenda for meetings in Executive Session and may consider any topic relevant to the Company and its business. The Company believes that regular, periodic, meetings held in Executive Session, in the absence of management members or management directors, provide the Board an adequate opportunity to review and address issues affecting management or the Company that require an independent perspective. Additionally, the Company’s Audit Committee holds separate Executive Sessions with the Company’s independent registered public accounts, internal auditor and management. The Audit Committee also sets its own agenda and may consider any relevant topic in its executive sessions.

Director Attendance

During 2024, no director attended fewer than 75% of the total number of meetings of the Board of Directors and any Committee of the Board of Directors on which he or she served. All directors are invited and encouraged to attend the annual meeting of shareholders. In general, all directors attend the annual meeting of shareholders unless they are unable to do so due to unavoidable commitments or intervening events.

Director Compensation

Non-employee directors receive an annual retainer of $40,000, payable in quarterly installments of $10,000 each. Committee Chairs receive an additional annual retainer of $10,000, also payable in quarterly installments. There are no additional individual Board or Committee meeting fees. Each non-employee director also receives an equity award of $40,000 in value of restricted stock with such value determined by reference to the public share price (the closing price) as of the date of the annual meeting at which the individual is elected, or, if the individual is appointed to the Board, then with reference to the stock price as of the date of appointment (subject to a deemed minimum stock price of $5 per share). The restricted stock award will vest five business days after the succeeding annual meeting.

Independent Directors

The Board has determined that William F. Blue, Jr., Charles E. Brock, Hilda S. Murray, and Michael L. Owens are independent within the meaning of the standards for independence set forth in the Company’s corporate governance guidelines, which are consistent with the applicable Securities and Exchange Commission (“SEC”) rules and NASDAQ standards.

Executive Sessions of the Independent Directors

The Company’s independent directors meet in executive session at each regularly scheduled quarterly meeting of the Board, with Director William F. Blue, Jr. serving as chair of such executive sessions.

Management Succession

Periodically, the Board reviews a succession plan, developed by management, addressing the policies and principles for selecting successors to the Company’s executive officers, including the Company’s CEO. The succession plan includes an assessment of the experience, performance and skills believed to be desirable for possible successors to the Company’s executive officers.

Certain Transactions between the Company and Directors and Officers

The Company's Compensation/Nominations and Corporate Governance Committee has adopted written policies and procedures concerning the review, approval or ratification of all transactions required to be disclosed under the SEC's Regulation S-K, Rule 404. These policies and procedures cover all related party transactions required to be disclosed under the SEC's rules as well as all material conflict of interest transactions as defined by relevant state law and the rules and regulations of NASDAQ, and require that all such transactions be identified by management and disclosed to the Committee for review. If required and appropriate under the circumstances, the Committee will consider such transactions for approval or ratification. Full disclosure of the material terms of any such transaction must be made to the Committee, including:

- the parties to the transaction and their relationship to the Company, its directors and officers;
- the terms of the transaction, including all proposed periodic payments; and
- the direct or indirect interest of any related parties or any director, officer or associate in the transaction.

To be approved or ratified, the Committee must find any such transaction to be fair to the Company. Prior approval of such transactions must be obtained generally, if they are material to the Company. If such transactions are immaterial, such transactions may be ratified and prior approval is not required. Ordinary employment transactions may be ratified.

Certain Related Party Transactions

There were no related party transactions during 2024.

Insider Trading Policy

The Company has an insider trading policy governing the purchase, sale, and other disposition of our securities by our directors, officers, and employees. The Company believes this policy is reasonably designed to promote compliance with insider trading laws, rules, and regulations and listing standards applicable to the Company. The policy prohibits buying or selling the Company's common shares while aware of material non-public information about the Company and from disclosing such information to others.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors is composed of four members, each of whom is an independent, non-employee director. The Audit Committee operates under a written Audit Committee Charter adopted and approved by the Board of Directors. The Charter is reviewed at least annually by the Committee. While the Committee has the responsibilities and powers set forth in its written charter, it is not the duty of the Committee to plan or conduct audits. This function is conducted by the Company's management and its independent registered public accountants.

The Committee has reviewed and discussed with management the audited financial statements of the Company for the year ended December 28, 2024 (the "Audited Financial Statements"). In addition, the Committee has discussed with Forvis Mazars, LLP all matters required by applicable auditing standards.

The Committee also has received the written report, disclosure and the letter from Forvis Mazars, LLP required by PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence", and the Committee has reviewed, evaluated, and discussed with that firm the written report and its independence from the Company. The Committee also has discussed with management of the Company and Forvis Mazars, LLP such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee has recommended to the Company's Board of Directors the inclusion of the Company's Audited Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 28, 2024, to be filed with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

Michael L. Owens, Chairman
William F. Blue, Jr.
Charles E. Brock
Hilda S. Murray

AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that Michael L. Owens, Chairman of the Audit Committee, is an audit committee financial expert as defined by Item 407(d)(5) of Regulation S-K of the Securities Exchange Act of 1934, as amended, and is independent within the meaning of Rule 10A-3(b)(l) of the Securities Exchange Act of 1934. For a brief list of Mr. Owens' relevant experience, please refer to Mr. Owens' biographical information as set forth in the Election of Directors section of this proxy statement. Additionally, the Board believes the remaining members of the Audit Committee would qualify as audit committee financial experts, within the meaning of applicable rules, based on each individual's qualification and expertise.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation/Nominations and Corporate Governance Committee, acting in its capacity as a Compensation Committee, reviews and sets compensation for the Company's executive officers. The Committee currently consists of four independent directors (currently all independent directors with the exception of Michael L. Owens, Chairman of the Company's Audit Committee) chosen annually by the Board.

Compensation of the Company's executive officers is intended to be competitive with compensation offered by other companies generally similar to the Company in size and lines of business. In determining what types and levels of compensation to offer, the Committee may review relevant, publicly available data and, from time to time, it may receive advice and information from professional compensation consultants.

The Elements of Executive Officer Compensation

Compensation of the Company's Executive Officers consists generally of base salary, retirement plan benefits and other customary employment benefits, as well as potential cash incentive awards and stock plan awards pursuant to annual incentive plans reviewed and adopted by the Committee at the beginning of each year. The annual incentive plan is customarily structured so that a significant portion of each executive's potential annual compensation may consist of equity awards, the award value of which is tied to accomplishing both financial and non-financial goals and objectives.

Compensation for 2024. Effective March 2024, the Committee selected performance goals and objectives and a range of possible incentives for the annual 2024 Incentive Plan (the "2024 Plan"). Pursuant to the 2024 Plan, each executive officer had the opportunity to be granted a cash incentive award, a Primary Long-Term Incentive Award of restricted stock, and an award of restricted stock denominated as "Career Shares."

In addition to required levels of achievement of certain financial goals related to the Company as a whole and the Company's business units, the 2024 Plan established certain individual goals and objectives for each officer participating in the Plan. The Committee retained significant discretion in evaluating achievement of the financial and individual goals.

No cash incentives, Primary Long-Term Incentive Share Awards or Career Share Awards were paid or granted to the Company's Named Executive Officers under the 2024 Plan.

Incentive Compensation Applicable to 2025. Following year-end, the Committee adopted an incentive plan for 2025 (the "2025 Plan") providing for possible cash incentive awards and restricted stock awards in the form of Long-Term Incentive Share Awards and Career Share awards, as in prior years. The Committee has reserved to itself the discretion to increase as well as reduce awards based on its evaluation of various factors applicable to the Plan and each participant. The Committee is authorized to modify the Plan and the assessment of individual performance based on unusual or extraordinary items. Any such awards, if earned, will be paid, in the case of the cash award, or granted, in the case of the restricted stock awards, in March 2026.

Potential Awards for 2025. The CEO and the Chief Operating Officer have the opportunity to earn a cash payment ranging from 45% to not more than 105% of such executive's base salary. The Chief Financial Officer and all other officers whose responsibilities primarily relate to corporate level administration will have the opportunity to earn a cash payment ranging from 15% to 75% of such officer's base salary. Subject to Committee discretion, 100% percent of the potential amount will be based on achievement of specified levels of operating income from continuing operations of the Company, as adjusted for unusual items.

The President of the Company's residential business unit will have the opportunity to earn a cash payment ranging from 30% to 90% of his base salary. Subject to Committee discretion, 100% percent of the amount will be based on achievement of specified levels of the Company's consolidated operating income, as adjusted for unusual items.

The Primary Long-Term Incentive Share Award is designed as a possible award of restricted shares, in value equal to no more than 35% of the executive's base salary as of the beginning of 2025 (45% in the case of the Chief Executive Officer) plus any cash incentive award paid for such year. Any Primary Long-Term Incentive Share Awards, if earned, vest ratably over three years.

Career Shares are designed as a possible award of restricted stock valued at 20% of each executive officer's base salary as of the beginning of the year, excluding the Company's Chief Operating Officer. The level of potential career share awards was set at 35% of the Chief Operating Officer's base salary for 2025.

In accordance with past practice, any such award, if earned, will be granted in 2026. For participants age 61 or older, the Career Share Awards vest ratably over two years from the date of the grant. For the participants age 60 or younger, shares vest ratably over five years from the date of grant after the participant reaches age 61.

Additionally, all Share Awards are subject to vesting or forfeiture under certain conditions as follows: death, disability or a change in control will result in immediate vesting of all Share Awards; termination without cause will also result in immediate vesting of all Career Share Awards and in immediate vesting of that portion of Long-Term Incentive Share Awards that has been expensed; voluntary termination of employment prior to retirement, or termination for cause will result in forfeiture of all unvested awards; to the extent that the Company has recognized compensation expense related to the shares subject to the awards, such amounts vest at retirement age and are paid out by March 15th of the subsequent year.

All awards of restricted stock are subject to a $5.00 minimum price per share when determining the number of shares awarded. The Compensation Committee has retained the discretion to reduce or increase any award otherwise earned based on the participant's achievement of individual performance goals set by the Committee.

Policies with Respect to Hedging Company Securities. All incentive Equity Awards issued to the Company's executives (including the Company's Named Executive Offices) expressly prohibit hedging or hypothecation of restricted stock awards prior to vesting.

Policies with respect to Granting of Options. Option awards are not customarily granted on a predetermined schedule. However, the Committee (and the Company) considers whether material non-public information will affect the value of any award granted, and the policy has been to grant options during open trading periods when all material information can be expected to have been made public. The Committee also considers that it is possible to otherwise structure options (for example, with an above market strike price or a vesting performance target) so that the value of an award will not have been affected by non-public information at the time of grant.

Retirement Plans and Other Benefits. The Company's compensation for its executive officers also includes the opportunity to participate in two retirement plans, one qualified and one non-qualified for federal tax purposes, and certain health insurance, life insurance, relocation allowances, and other benefits. Such benefits are designed to be similar to the benefits available to other exempt, salaried associates of the Company, and to be comparable to and competitive with benefits offered by businesses with which the Company competes for executive talent.

Executive officers may elect to contribute a limited amount of their compensation to the qualified plan and make deferrals into the non-qualified plan (up to 90% of total compensation). Although the plans permit the Company to make discretionary contributions in an aggregate amount equal to up to 3% of the executive officer's cash compensation, for 2024 the Company made a contribution of 2% to the qualified plan, while no Company contributions were made to the non-qualified plan.

Compensation Considerations for 2024 and 2025. The tax effect of possible forms of compensation on the Company and on the executive officers is a factor considered in determining types of compensation to be awarded. Similarly, the accounting treatment accorded various types of compensation may be an important factor used to determine the form of compensation. The deductibility, for tax purposes, of compensation paid to named executive officers is subject to limits imposed by Section 162 of the Internal Revenue Code. Annual compensation exceeding $1 million is non-deductible. Accordingly, all compensation in excess of $1 million paid to any of the Company's Named Executive Officers (and the Chief Financial Officer) in any given year will be non-deductible.

The Company held a "Say on Pay" vote at its annual meeting in 2024. At that meeting, in excess of 93% of the votes were cast "For" approval of our executive compensation as described in the Proxy Statement for that meeting. The Committee intends to consider these results as part of its ongoing review of executive compensation.

Termination Benefits. Upon a Participant's reaching retirement age (as defined in the plan), all Long-Term Incentive Plan and Career Share restricted stock awards vest to the extent such awards have been expensed in the Company's financial statements. As of year-end, Daniel K. Frierson is the only Named Executive Officer eligible for retirement in accordance with the terms of the restricted stock awards. If Mr. Frierson had retired at year end, the number of shares subject to such awards that would have vested and the value of such shares would have been 65,878 shares and $42,887. For purposes of valuing the foregoing awards, the Company used the year-end market value of the Company's Common Stock, which was $0.651/share.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis, set forth above, with management.

Based on our review and the discussions we held with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Materials.

Respectfully submitted,

William F. Blue, Jr., Chairman
Charles E. Brock
Hilda S. Murray

PAY VERSUS PERFORMANCE

The following is a tabular presentation of pay vs performance presenting certain information regarding the compensation earned by the Chief Executive Officer and the Named Executive Officers, and comparing such information to a "total shareholder return" (or "TSR") measure.

Year	Summary Compensation Table (SCT) Total for Principal Executive Officer (PEO)(1)(3) ($)	Compensation Actually Paid to PEO(2) ($)	Average SCT Total for Non-PEO NEOs (1)(3) ($)	Average Compensation Actually Paid to Non-PEO NEOs (2) ($)	Value of Initial Fixed $100 Investment Based on: Company TSR ($)	Company Net Income (Loss) (in thousands) ($)
2024	707,614	699,836	394,244	378,637	12	(13,000)
2023	1,160,744	1,149,340	628,350	618,795	29	(2,718)
2022	976,093	271,437	498,379	(204,682)	30	(35,079)

1. The Summary Compensation Table upon which this is based presents bonuses in the year in which they were accrued (although paid following year-end), while equity awards are shown for the year such awards were granted.

2. To determine amounts actually paid with respect to equity awards [as defined and required by applicable rules] the following amounts were included:

	2024		2023		2022	
	PEO ($)	Average Non-PEO NEOs ($)	PEO ($)	Average Non-PEO NEOs ($)	PEO ($)	Average Non-PEO NEOs ($)
Total compensation from Summary Compensation Table	707,614	394,244	1,160,744	628,350	976,093	498,379
Less: Amount reported in the "Stock Awards" column of the SCT	(77,314)	(37,963)	(25,192)	(13,646)	(346,079)	(142,620)
Plus: Year end fair value of equity awards granted in the year	82,511	40,515	18,160	9,837	99,881	40,543
Increase (decrease) in fair value of outstanding and unvested awards	(3,212)	(11,401)	(4,117)	(5,595)	(310,298)	(566,823)
Increase (decrease) in fair value of equity awards granted in prior years that vested in the year	(9,763)	(6,758)	(255)	(151)	(148,160)	(34,161)
Compensation Actually Paid Total	699,836	378,637	1,149,340	618,795	271,437	(204,682)

3. For all years presented the Named Executive Officers were: Daniel K. Frierson (PEO); D. Kennedy Frierson, Jr. and T.M. Nuckols, Jr.

EXECUTIVE COMPENSATION INFORMATION

The following table sets forth information as to all compensation earned during the fiscal years ended December 30, 2023 and December 28, 2024 for (i) the Company's Chief Executive Officer; and (ii) the two other most highly compensated executive officers who served as such during the fiscal year ended December 28, 2024 (the “Named Executive Officers”). For a more complete discussion of the elements of executive compensation, this information should be read in conjunction with the other tabular information presented in the balance of this section.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(4)	Stock Awards ($)(2)(4)	Option Awards ($)(5)	Nonqualified Compensation Earnings ($)(3)	All Other Compensation ($)(6)	Total ($)
Daniel K Frierson Chief Executive Officer	2024	625,000	—	77,314	—	—	5,300	707,614
	2023	625,000	505,502	—	25,192	—	5,050	1,160,744
D. Kennedy Frierson, Jr. Chief Operating Officer	2024	375,000	—	44,976	—	—	6,281	426,257
	2023	375,000	303,301	—	16,795	—	6,031	701,127
T.M. Nuckols, Jr., Vice President, President Residential	2024	325,000	—	30,950		—	6,281	362,231
	2023	325,000	214,111	—	10,497	—	5,965	555,573

(1) Includes all amounts deferred at the election of the Named Executive Officer.

(2) Amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the year presented of stock awards to the Named Executive Officers. Continued employment is a condition of the Plan so the grant date is in the year after the year for which the performance was earned.

(3) The Dixie Group does not provide above-market or preferential earnings on deferred compensation. The Named Executive Officers did not participate in any defined benefit or actuarial pension plans for the periods presented.

(4) Continued employment at the time of grant and payment was required under the 2023 Incentive Plan. The bonus shown for 2023 was accrued in the year shown, but paid in the first quarter of the following year. The stock award shown was awarded under the 2023 Incentive Plan but granted in 2024.

(5) On May 25, 2023, the Company granted options with a market condition to certain key employees of the Company at a weighted-average exercise price of $1.00. These options vest over a two-year period and require the Company's stock to trade at or above $3.00 for five consecutive trading days during the term of the option to meet the market condition. The amount set forth in the table reflects the grant date fair value of the award determined in accordance with FASB ASC Topic 718. The fair value of each option was estimated on the grant date using a lattice model. Expected volatility of 97.96% was based on historical volatility of the Company's stock, using the most recent period equal to the expected life of five years for the options. The risk-free interest rate of 3.80% was based on the U.S. Treasury yield for a term equal to the expected life of the option at the time of grant. The Company used historical exercise behavior of similar employee groups to determine the expected lives of options.

(6) The following table is a summary and quantification of all amounts included in All Other Compensation.

All Other Compensation

Name	Year	Registrant Contributions to Defined Contributions Plans ($)	Insurance Premiums ($)	Other ($)(1)	Total Perquisites and Other Benefits($)
Daniel K. Frierson	2024	3,300	2,000	—	5,300
	2023	3,050	2,000	—	5,050
D. Kennedy Frierson, Jr.	2024	3,300	2,981	—	6,281
	2023	3,050	2,981	—	6,031
T.M. Nuckols, Jr.	2024	3,300	2,981	—	6,281
	2023	3,050	2,915	—	5,965

(1) No named Executive Officer received any tax reimbursement, discounted securities purchases, or payment or accrual on termination for the period presented.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)
Daniel K. Frierson	—	60,000	—	1.00	5/25/2028	161,095	104,873
D. Kennedy Frierson, Jr.	—	40,000	—	1.00	5/25/2028	263,901	171,800
T.M. Nuckols, Jr.	—	25,000	—	1.00	5/25/2028	104,444	67,993

(1) The market value of the restricted stock set forth in the table has been calculated by multiplying the closing price of the Company's Common Stock at year-end ($0.651/share) by the number of shares of unvested restricted stock subject to the award.

DIRECTOR COMPENSATION

Name	Fees earned or paid in cash ($)(1)	Director's Restricted Stock Awards ($)(2)	Option Awards ($)	All Other Compensation ($)	Total ($)
William F. Blue, Jr.	50,000	4,160	—	—	54,160
Charles E. Brock	40,000	4,160	—	—	44,160
Hilda S. Murray	40,000	4,160	—	—	44,160
Michael L. Owens	50,000	4,160	—	—	54,160

(1) Non-employee directors receive an annual retainer of $40,000, payable in quarterly installments of $10,000 each. Committee Chairs receive an additional annual retainer of $10,000, also payable in quarterly installments. There are no additional individual Board or Committee meeting fees. Each non-employee director also receives an equity award of $40,000 in value of restricted stock with such value determined by reference to the public share price (the closing price) as of the date of the annual meeting at which the individual is elected, or, if the individual is appointed to the Board, then with reference to the stock price as of the date of appointment (subject to a deemed minimum stock price of $5 per share). The restricted stock award will vest five business days after the succeeding annual meeting.

(2) The value presented is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, using the annual meeting date as the grant date.

PROPOSAL TWO

ADVISORY VOTE ON EXECUTIVE COMPENSATION

As required under recent amendments to the Securities Exchange Act of 1934, our stockholders may cast an advisory vote on the compensation of our Named Executive Officers, as described in this proxy statement.

Our executive compensation programs are designed to attract, motivate and retain our Named Executive Officers, who are critical to our success. Please read the *Compensation Discussion and Analysis* for additional details about our executive compensation programs, including information about the fiscal 2024 compensation of our Named Executive Officers.

We are asking our Shareholders to indicate their approval of our Named Executive Officer compensation as described in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our Named Executive Officers' compensation.

We recommend that stockholders vote, on an advisory basis, "FOR" the following resolution:

"**RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the Company's named executive officers, as discussed and disclosed in the *Compensation Discussion and Analysis*, the executive compensation tables and related narrative executive compensation disclosure in this proxy statement**."

The above resolution will be deemed to be approved if it receives the affirmative vote of a majority of the total votes cast on Proposal Two at the annual meeting. Abstentions and broker non-votes are not considered to be votes cast and, accordingly, will have no effect on the outcome of the vote. As this vote is an advisory vote, the outcome is not binding on us with respect to future executive compensation decisions, including those relating to our Named Executive Officers. Our Board of Directors and our Compensation Committee, however, value the opinions of our stockholders, and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this proxy statement, the Compensation Committee will consider our stockholders' concerns and will evaluate whether any actions are necessary to address those concerns.

The Board of Directors recommends that the Company's shareholders vote FOR the approval of Proposal Two.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2025

Subject to ratification of its decision by the Company's shareholders, the Company has selected the firm of Forvis Mazars, LLP to serve as its independent registered public accountants for its 2025 fiscal year. A representative of Forvis Mazars, LLP Is expected to be present at the Annual Meeting and will have the opportunity to make a statement if he so desires and to respond to appropriate questions from shareholders.

The Board of Directors recommends that the Company's shareholders vote FOR Proposal Three.

In the event that the Company's shareholders do not ratify the selection of Forvis Mazars, LLP as independent registered public accountants for fiscal 2025 the Board of Directors will consider other alternatives, including appointment of another firm to serve as independent registered public accountants for fiscal 2025.

AUDIT FEES DISCUSSION

The following table sets forth the fees paid to Forvis Mazars, LLP for services provided during fiscal year 2024 and 2023:

	2024	2023
Audit fees paid (1)	$ 762,440	$ 670,909
Total Audit Fees	$ 762,440	$ 670,909

1. Represents fees for professional services paid to Forvis Mazars, LLP provided in connection with the audit of the Company's annual financial statements, review of the Company's quarterly financial statements, review of other SEC filings and technical accounting issues during 2024 and 2023.

It is the policy of the Audit Committee to pre-approve all services provided by its independent registered public accountants. In addition, the Audit Committee has granted the Chairman of the Audit Committee the power to pre-approve any services that the Committee, as a whole, could approve. None of the fees were approved by the Audit Committee pursuant to the de minimis exception of Reg. S-X T Rule 2-01(c)(7)(i)(C).

SHAREHOLDER PROPOSALS FOR INCLUSION IN NEXT YEAR'S PROXY STATEMENT

In the event any shareholder wishes to present a proposal at the 2026 Annual Meeting of Shareholders, such proposal must be received by the Company on or before November 5, 2025, to be considered for inclusion in the Company's proxy materials. All shareholder proposals should be addressed to the Company at its principal executive offices, P.O. Box 2007, Dalton, Georgia 30722-2007, Attention: Corporate Secretary, and must comply with the rules and regulations of the Securities and Exchange Commission.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Shareholders who wish to communicate with members of the Board, including the independent directors individually or as a group, may send correspondence to them in care of the Corporate Secretary at the Company's corporate headquarters, P.O. Box 2007, Dalton, Georgia 30722-2007.

ADDITIONAL INFORMATION

The entire cost of soliciting proxies will be borne by the Company. In addition to solicitation of proxies by mail, proxies may be solicited by the Company's directors, officers, and other employees by personal interview, telephone, and telegram. The persons making such solicitations will receive no additional compensation for such services. The Company also requests that brokerage houses and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of the shares of Common Stock held of record by such persons and will pay such brokers and other fiduciaries all of their reasonable out-of-pocket expenses incurred in connection therewith.

OTHER MATTERS

As of the date of this Proxy Material, the Board does not intend to present, and has not been informed that any other person intends to present, any matter for action at the Annual Meeting other than those specifically referred to herein. If other matters should properly come before the Annual Meeting, it is intended that the holders of the proxies will vote in accordance with their best judgment.

The Dixie Group, Inc.

Daniel K. Frierson
Chairman of the Board

Dated: April 11, 2025

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THE DIXIE GROUP

DIRECTORS

Daniel K. Frierson[1]
Chairman of the Board and Chief Executive Officer
The Dixie Group, Inc.

William F. Blue, Jr.[1] [2] [3]
Chairman of the Board
The Hopeway Foundation

Charles E. Brock[2] [3]
Owner, Brock Partnerships

D. Kennedy Frierson, Jr.
Chief Operating Officer
The Dixie Group, Inc.

Michael L. Owens[3]
Assistant Dean of Graduate Programs & Lecturer,
College of Business
University of Tennessee at Chattanooga

Hilda S. Murray[2][3]
Corporate Secretary and Executive Vice President
TPC Printing & Packaging

(1) Member of Executive Committee
(2) Member of Compensation/Nominations and Corporate Governance Committee
(3) Member of Audit Committee

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OFFICERS

Daniel K. Frierson
Chairman of the Board and Chief Executive Officer

D. Kennedy Frierson, Jr.
Vice President and Chief Operating Officer

Allen L. Danzey
Vice President and Chief Financial Officer

W. Derek Davis
Corporate Secretary and Vice President
Human Resources

T.M. Nuckols
Vice President and President
Dixie Residential

CORPORATE INFORMATION

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(706) 876-5800

Independent Registered Public Accountants
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Atlanta, Georgia 30303

Legal Counsel
Miller & Martin PLLC
1200 Volunteer Building
832 Georgia Avenue
Chattanooga, Tennessee 37402

Investor Contact
Allen L. Danzey
Vice President and Chief Financial Officer
The Dixie Group, Inc.
475 Reed Road
Dalton, Georgia 30720
(706) 876-5865

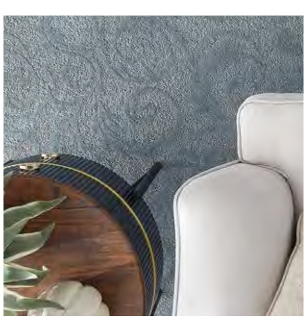
Form 10-K and Other Information
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2024, is included with this report.

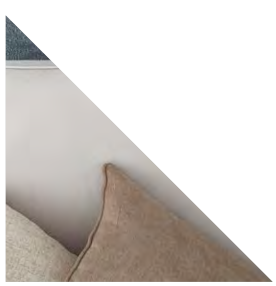
Annual Meeting
The Annual Meeting of Shareholders of The Dixie Group, Inc. will be held at 8:00 A.M. on May 7, 2025 at the Corporate Office in Dalton, Georgia.

Stock Listing
The Dixie Group's Common Stock is listed on the OTC Markets Group under the symbol DXYN.

Stock Transfer Agent
Computershare Investor Services, LLC
462 South 4th Street, Suite 1600
Louisville, Kentucky 40202

The Dixie Group
maintains a website, www.thedixiegroup.com, where additional information about the Company may be obtained.





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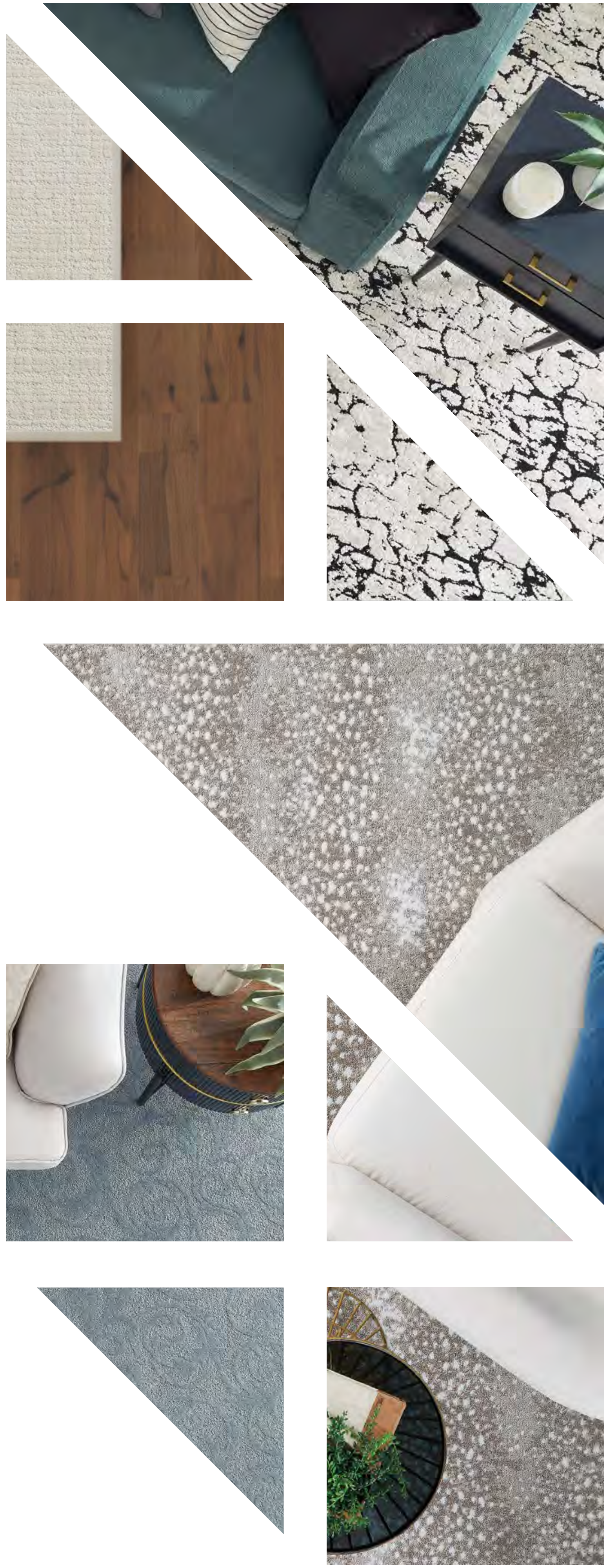

THE DIXIE GROUP

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