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 25, 2021
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	Name of each exchange on which registered
Common Stock, $3.00 par value	NASDAQ Stock Market, LLC

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☑ Yes ☐ No

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

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

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

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 27, 2020 (the last business day of the registrant's most recently completed fiscal second quarter) was $10,862,025. 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 February 25, 2022	
Common Stock, $3.00 Par Value	14,792,467	shares
Class B Common Stock, $3.00 Par Value	1,004,975	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 4, 2022 (Part III).

THE DIXIE GROUP, INC.

Index to Annual Report
on Form 10-K for
Year Ended December 25, 2021

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, and Dixie Home 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, including luxurious vinyl flooring (LVF) and engineered wood. Over the past few years, there has been a significant shift in the flooring marketplace as hard surface products have grown at a rate much faster than soft surface products. We have responded to this accelerated shift to hard surface flooring by launching several initiatives in hard surface offerings. We launched TRUCOR™ and TRUCOR Prime™ offering LVF products. In 2021, we experienced significant growth in sales of our TRUCOR™ family of products and our Fabrica Wood program. We continue to innovate in our soft floorcovering residential markets with a new tufting technology, "TECHnique", which is being showcased in our Masland and Fabrica lines. TECHnique delivers beautiful patterns through precise yarn placement and control at each needle.

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 Residential, 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.

Dixie Home provides stylishly designed, differentiated products that offer affordable fashion to residential consumers. Dixie Home markets an array of residential tufted broadloom carpet and rugs to selected retailers and home centers under the Dixie Home and private label brands. In addition, it offers luxury vinyl flooring products to the marketplace it serves. Its objective is to make the Dixie Home 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.

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 2020, according to the most recent information available, the U.S. floorcovering industry reported $26.6 billion in sales, down approximately 1.3% from 2019's sales total. In 2020, the primary categories of flooring in the U.S., based on sales dollars, were carpet and rug (38%), luxury vinyl flooring (LVF) (20%), ceramic tile (13%), wood (13%), stone (7%), vinyl (4%), and laminate and other (5%). In 2020, the primary categories of flooring in the U.S., based on square feet, were carpet and rug (45%), luxury vinyl flooring (LVF) (21%), ceramic tile (13%), vinyl (8%), wood (6%), laminate (4%), 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. 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", "Dixie Home" 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

As a percentage of our net sales, one customer, a mass merchant, accounted for approximately 9% in 2021 and 9% in 2020 and as a percentage of our customer's trade accounts receivable, accounted for approximately 20% in 2021 and 23% in 2020. No other customer was more than 10 percent of our sales during the periods presented. During 2021, sales to our top ten customers accounted for approximately 13% of our sales and our top 20 customers accounted for approximately 16% of our sales. We do not make 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 lowest level in the first quarter, with the remaining sales being distributed relatively equally among the second, third and fourth quarters. During 2020, primarily as a result of the COVID-19 pandemic, our sales reached their lowest level in the second quarter (approximately 19% of our annual sales) with the remaining sales being distributed relatively equally among the first, third and fourth quarters. Working capital requirements have normally reached their highest levels in the third and fourth quarters of the 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. Where possible, 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 material problem 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.

Employment Level

At December 25, 2021, we employed 1,322 associates in our operations.

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.

Our financial condition and results or operations have been and will likely continue to be adversely impacted by the COVID-19 pandemic and the related downturn in economic conditions.

The COVID-19 pandemic continues to impact 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, a new variant 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, 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.

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 consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. We derive a majority of our sales from the replacement segment of the market. Therefore, economic changes that result in a significant or prolonged decline in spending for remodeling and replacement activities 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.

We have significant levels of sales in certain channels of distribution and reduction in sales through these channels could adversely affect our business.

A significant amount of our sales are generated through a certain mass merchant retailer. A change in strategy by this customer to emphasize products at a lower price point than we currently offer will limit future sales opportunities with this customer. The reductions of sales through this channel could adversely affect our business if we are not able to replace the volume through other sales outlets and product offerings. The impact of the event has been minimized due to minimal margins on sales through this channel due to price pressure from the retailer and increased raw material costs for our products. We expect to be able to utilize the production capacity made available to help fulfill the current high demand for residential products.

We have significant levels of indebtedness that could result in negative consequences to us.

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. Additionally, the inability to access debt or equity markets at competitive rates in sufficient amounts to satisfy our obligations could adversely impact our business. 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.

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

Uncertainty in the credit markets could affect the availability and cost of credit. 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. These and other economic factors could have a material adverse effect on demand for our products and on our financial condition and operating results.

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 and/or cause us to be subject to securities class action litigation.

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. In addition, we may be subject to securities class action litigation as a result of volatility in the price of our common stock, which could result in substantial costs and diversion of management's attention and resources and could harm our stock price, business, prospects, results of operations and financial condition

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 decreased demand for our products. In addition, we face, and will continue to face, competitive pressures on our sales price 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 may 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 vary significantly with market conditions. 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 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. A significant portion of such yarn has historically been purchased from one supplier. This yarn supplier was one of the leading fiber suppliers within the industry and had been the exclusive supplier of certain branded fiber technology upon which we formerly relied. Access to these branded fibers is no longer available. We have developed and are developing products and product offerings that use other fiber systems, but there can be no certainty that we will be successful in our efforts to develop and market such products. Additionally, 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. Our efforts to develop alternate sources and to diversify our yarn suppliers has been accelerated and has met with some success to date; however, continued supply constraints may impact our ability to successfully develop products and effectively service our customers**.** 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. 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 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 cybercrimes 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.

On April 17, 2021, we detected a ransomware attack on portions of our information technology systems. We initiated recovery efforts and implemented additional security measures in response. Despite the best efforts toward the security of computer networks, all companies are subject to such attacks by cyber criminals as they become more frequent and their ability to circumvent security measures become more sophisticated.

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. Recently 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 the company's cost of goods and results of operations.

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.

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.

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.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table lists our facilities according to location, type of operation and approximate total floor space as of February 25, 2022:

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	Carpet Manufacturing, Distribution	610,000
Roanoke, AL	Carpet Yarn Processing	204,000
Saraland, AL*	Carpet, Rug and Tile Manufacturing, Distribution	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
Dalton, GA*	Samples Warehouse and Distribution	40,000
	Total Manufacturing and Distribution	2,580,300
* Leased properties	TOTAL	2,674,700

In addition to the facilities listed above, we lease a small amount of office space in various locations.

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 our senior credit facilities.

Item 3. LEGAL PROCEEDINGS

We have been sued, together with 3M Company and approximately 30 other named defendants and unnamed "fictitious defendants" including various carpet manufacturers and suppliers, in four lawsuits whereby the plaintiffs seek monetary damages and injunctive relief related to the manufacture, supply, and/or use of certain chemical products in the manufacture, finishing, and treatment of carpet products in the Dalton, Georgia area. These chemical products allegedly include without limitation perflourinated compounds ("PFC") such as perflourinated acid ("PFOA") and perfluorooctane sulfonate ("PFOS"). In each lawsuit, the plaintiff(s) alleged that, as a consequence of these actions, these chemical compounds have discharged or leached into the water systems around Dalton and then flow into the waters in or near the water bodies from which the plaintiff(s) draw for drinking water.

Two of these lawsuits were filed in Alabama. The first lawsuit in Alabama was filed on September 22, 2016 by The Water Works and Sewer Board of the City of Gadsden (Alabama) in the Circuit Court of Etowah County, Alabama (styled *The Water Works and Sewer Board of the City of Gadsden v. 3M Company, et al.,* Civil Action No. 31-CV-2016-900676.00). The second lawsuit in Alabama was filed on May 15, 2017 by The Water Works and Sewer Board of the Town of Centre (Alabama) in the Circuit Court of Cherokee County, Alabama (styled *The Water Works and Sewer Board of the Town of Centre v. 3M Company, et al.,* Civil Action No. 13-CV- 2017-900049.00). These lawsuits have been settled upon payment to the plaintiff of a sum deemed to be immaterial. Both lawsuits have been dismissed.

The other two lawsuits were filed in Georgia. The first lawsuit in Georgia was filed on November 19, 2019 by the City of Rome (Georgia) in the Superior Court of Floyd County, Georgia (styled *The City of Rome, Georgia v. 3M Company, et al.,* No. 19CV02405JFL003). The second lawsuit in Georgia was originally filed on November 26, 2019 and is presented as a class action lawsuit by and on behalf of a class of persons who obtain drinking water from the City of Rome, Georgia and the Floyd County Water Department (and similarly situated persons) (generally, for these purposes, residents of Floyd County) (styled *Jarrod Johnson v. 3M Company, et al.,* Civil Action No. 19-CV-02448-JFL-003) (the "Class Action Lawsuit"). On January 10, 2020, the Class Action Lawsuit was removed to the United States District Court for the Northern District of Georgia, Rome Division (styled Jarrod Johnson v. 3M Company, et al Civil Action No. 4:20-CV-0008-AT). We agreed to settle and obtain dismissal of these lawsuits shortly after the end of the third quarter of 2021 upon payment of a sum to the plaintiff in the City of Rome matter. We deem the sum of the payment to be immaterial to the Company. Delivery of the settlement agreement and dismissal of each of the matters is pending.

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 February 25, 2022, 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, 80 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., 54 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, 52 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, 54 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, 71 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

Our Common Stock trades on the NASDAQ Global Market under the symbol DXYN. No market exists for our Class B Common Stock.

As of February 25, 2022, the total number of holders of our Common Stock was approximately 4,445 including an estimated 3,700 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	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
October 31, 2021	—	$ —	—	—
November 28, 2021	— *	—	—	—
December 25, 2021	—	—	—	—
Three Fiscal Months Ended December 26, 2020	—	$ —	—	—

*The company had no active programs to repurchase stock from the market

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 25, 2021 and December 26, 2020.

The following table provides the price range of common stock for the four fiscal quarterly periods in the years ended December 25, 2021 and December 26, 2020.

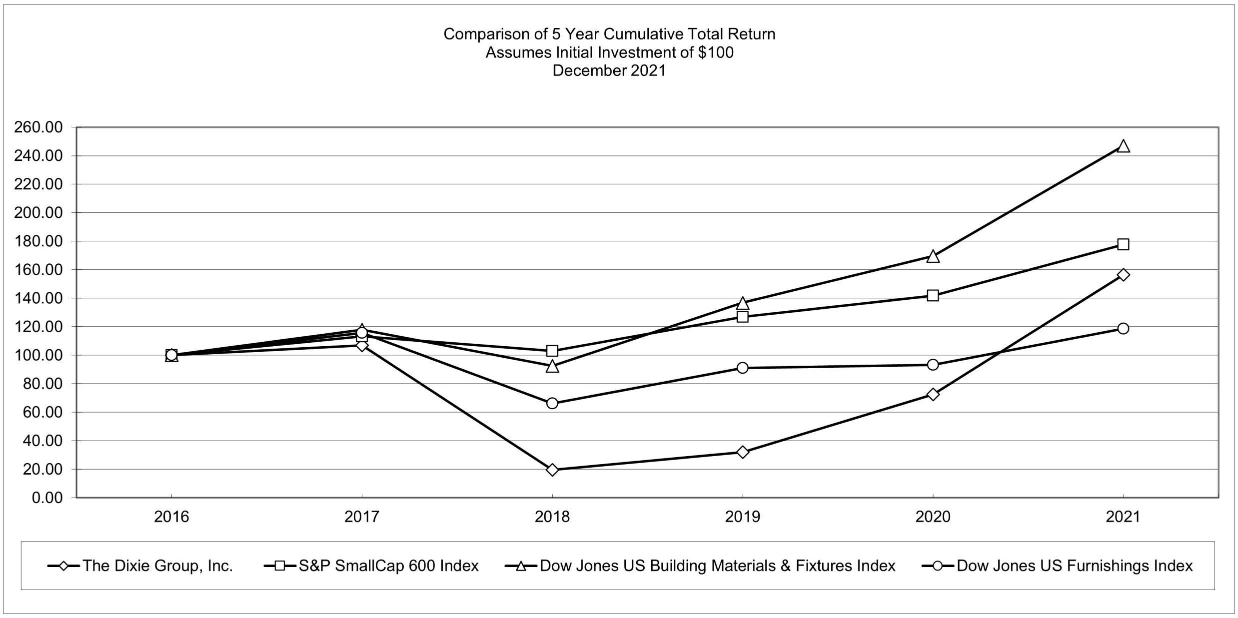
THE DIXIE GROUP, INC.
QUARTERLY PRICE RANGE OF COMMON STOCK

	FISCAL QUARTER			
2021	1ST	2ND	3RD	4TH
Common Stock Prices:				
High	$ 6.00	$ 3.86	$ 5.58	$ 6.98
Low	2.26	2.37	2.55	4.50
2020	1ST	2ND	3RD	4TH
Common Stock Prices:				
High	$ 1.60	$ 1.04	$ 1.34	$ 2.92
Low	0.53	0.55	0.76	0.77

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.

In accordance with SEC rules, 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 31, 2021. The comparison assumes that $100.00 was invested on December 31, 2016, 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. SELECTED FINANCIAL DATA

As part of the scaled disclosures for smaller reporting companies, selected financial data is not required.

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, and Dixie Home 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.

Historically, we participated in the upper end specified commercial flooring marketplace through our Atlas | Masland Contract brand. On September 13, 2021, we sold our Commercial business. The results of our Commercial business activity are included in discontinued operations in the included financial statements.

Our net sales from continuing operations were $341 million for the fiscal year ended December 25, 2021 and $251 million for the fiscal year ended December 26, 2020. Comparisons to the prior year are skewed by the negative impact of the COVID-19 pandemic in the second quarter of 2020 as well as high demand for residential products in 2021. Strong activity in the housing markets related to remodeling and new home construction have driven a strong demand for residential floor covering products in 2021.

Our net income for the twelve months ended December 25, 2021 was $1.6 million. The income was driven by strong sales volume, resulting in high production volume in our manufacturing plants, and selling and administrative expenses at levels that are favorably in line with sales volume when compared with prior periods. These favorable areas were offset by rising costs of raw materials and unfavorable adjustments to our LIFO inventory reserve, both of which negatively impacted our gross margin on the year.

Our interest expense for the twelve month period ended December 25, 2021 was $4,742 which compares favorably to the interest expense of $5,803 from the same period in the prior year. The reduced interest expense is a factor of our reduction and restructuring of debt over the last three years which included the sale and leaseback transaction for our facility in Santa Anna, California in the fourth quarter of 2018 and the divestiture of our Commercial division in the third quarter of 2021. We have reduced debt by $64 million from our most recent high level of debt at $141 million at September 29, 2018 to $77 million at December 25, 2021.

During the second quarter of 2021, the trademark for certain branded fibers our company has historically used in certain products was sold to a mass market retailer. Under the terms of the agreement, the availability of the trademark for use by our company, and others in the industry, was phased out. Prior to the sale of this trademark, our company had previously begun developing alternative offerings in response to prior disruptions in fiber supply. We accelerated the development process and we believe the movement away from dependence on the particular trademark and related fibers will provide the company with opportunities to develop enhanced competitive products with alternate fibers. We have also assisted our specialty retail customers with the transition to our new offerings through a non-disruptive, turnkey solution offering a retail friendly selling solution including new signage and merchandising materials.

RANSOMWARE INCIDENT

On April 17, 2021, we detected a ransomware attack on portions of our information technology systems. Response protocols were initiated immediately, we contacted our cybersecurity insurance provider, notified legal authorities and engaged cybersecurity experts. All systems impacted by this attack have been substantially restored and additional security measures have been put in place. We continue to assess the financial impact of the interruption to our business caused by this event.

COVID-19 PANDEMIC

After experiencing a significant reduction in sales volume with the initial onset of the COVID-19 pandemic in the second quarter of 2020, we started to see a gradual and consistent improvement in sales through the remainder of 2020 and throughout 2021. The sales growth was driven by a strong housing market and high residential remodeling activity. Although the pandemic continued in 2021, and we continue to take necessary safety precautions to protect the health of our employees, we have been able to limit the impact on operations. However, we cannot be certain as to any additional future impact of the COVID-19 crisis.

DIVESTITURE OF COMMERCIAL BUSINESS

On September 13, 2021, the Company sold its Atlas|Masland commercial business (the “Commercial Business”) to Mannington Mills, Inc. (the “Purchaser”).

In accordance with the Asset Purchase Agreement dated September 13, 2021, the Company sold assets that include certain inventory and certain items of machinery and equipment used exclusively in the Commercial Business, and related intellectual property for a purchase price of $20.5 million. The Purchaser also assumed the liability to fulfill the orders represented by advance customer deposit liabilities of $3.1 million.

The Company retained the Commercial Business' cash deposits, all accounts receivable, and certain inventory and equipment. Additionally, the Company agreed not to compete with the specified commercial business and the Atlas|Masland markets for a period of 5 years following September 13, 2021. The agreement allows for the Company to sell the commercial inventory retained by the company after the divestiture.

As a result of the transaction the Company has effectively exited the Commercial Business and will now focus exclusively on its residential floorcovering segment. The sale of Atlas|Masland represents a strategic shift that will have a major effect on the Company's operations. The Company has accounted for the transaction as discontinued operations on the date the entity was disposed. Accordingly, the Company is reporting the results of Atlas|Masland operations and cash flows, and balance sheet classifications for the current and comparative periods as discontinued operations. Prior to the consummation of the sale, the Company was neither actively marketing the business for sale nor had intentions to abandon the Commercial Business and as a result did not present the results as assets held for sale or discontinued operations in prior filings. See footnotes to the financial statements for the Company's discontinued operations reporting.

At closing, the Company received approximately $18.4 million in net proceeds, after depositing $2.1 million within an escrow account. The escrow account is for certain potential seller indemnifications and will be released to the Company in two installments. The first installment, for 50% of the escrow, was paid to the company 90 days after closing and the remaining 50% of the original escrow amount will be paid 18 months from the closing date. In order to release liens on certain fixed assets included in the Asset Purchase Agreement, the Company placed $2.1 million in cash collateral in an account with the lender (Greater Nevada Credit Union). The remaining proceeds were applied to the Company's debt with its senior credit facility (Fifth Third Bank).

The gain on the sale of assets is summarized as follows:

Net Proceeds, including escrowed funds	**20,500**	
Inventory, net	(9,195)	
Fixed Assets	(2,278)	
Contract Liabilities	3,127	
Net tangible assets sold	**(8,346)**	
Gain on sale of assets sold, prior to associated costs	**12,154**	
Other transaction related costs		
Adjustments to Accruals, Reserves and Allowances	(8,462)	1
Transaction Costs	(1,032)	2
Total other transaction related costs	**(9,494)**	
Gain on sale of discontinued operations	**2,660**	

1) For the remaining retained commercial inventory and fixed assets, the Company recognized adjustment to recognize the effects of the transaction. For inventory, the Company recognized lower of cost or market adjustments of approximately $6.6 million. The Company's remaining fixed assets will be disposed of by sale and the Company recognized an adjustment of approximately $1.8 million to reflect the lower of its carrying value or estimated fair value less cost to sell. For these assets, the Company has suspended the associated depreciation and will recognize changes in the fair value less cost to sell as gains or losses in future periods until the date of sale.
2) Transaction costs were legal expenses and involuntary employee termination costs related to one-time benefit arrangements.

In addition, the Company and the Purchaser simultaneously entered into a transition services agreement pursuant to which the Company assisted Mannington in transitioning the AtlasMasland business to Mannington, by, among other things, assisting in filling open orders and completing the manufacture of work in progress that resulted in a temporary continued involvement in the Commercial Business until December 31,2021. The Company has shown the results of these operations as a component of discontinued operations.

RESULTS OF OPERATIONS

Fiscal Year Ended December 25, 2021 Compared with Fiscal Year Ended December 26, 2020

	Fiscal Year Ended (amounts in thousands)					
	December 25, 2021	% of Net Sales	12/26/2020 (As Adjusted)	% of Net Sales	Increase (Decrease)	% Change
Net sales	$ 341,247	100.0 %	$ 250,869	100.0 %	$ 90,378	36.0 %
Cost of sales	263,992	77.4 %	193,538	77.1 %	70,454	36.4 %
Gross profit	77,255	22.6 %	57,331	22.9 %	19,924	34.8 %
Selling and administrative expenses	67,926	19.9 %	58,175	23.2 %	9,751	16.8 %
Other operating (income) expense, net	(927)	(0.3)%	(108)	— %	(819)	758.3 %
Facility consolidation and severance expenses, net	255	0.1 %	3,752	1.5 %	(3,497)	(93.2)%
Operating income (loss)	10,001	2.9 %	(4,488)	(1.8)%	14,489	(322.8)%
Interest expense	4,742	1.4 %	5,803	2.3 %	(1,061)	(18.3)%
Other (income) expense, net	1	— %	678	0.3 %	(677)	(99.9)%
Income (loss) before taxes	5,258	1.5 %	(10,969)	(4.4)%	16,227	(147.9)%
Income tax expense (benefit)	105	— %	(1,146)	(0.5)%	1,251	(109.2)%
Income (loss) from continuing operations	5,153	1.5 %	(9,823)	(3.9)%	14,976	(152.5)%
Income (Loss) from discontinued operations, net of tax	(3,537)	(1.0)%	615	0.2 %	(4,152)	(675.1)%
Net income (loss)	$ 1,616	0.5 %	$ (9,208)	(3.7)%	$ 10,824	(117.5)%

Net Sales. Net sales for the year ended December 25, 2021 were $341.2 million compared with $250.9 in the year-earlier period, an increase of 36.0% for the year-over-year comparison. Net sales in 2020 were heavily impacted by the initial outbreak of the COVID-19 pandemic. After the initial impact of the pandemic in the second quarter of 2020, sales demand began to increase in line with the demand in the residential housing market.

Gross Profit. Gross profit, as a percentage of net sales, decreased .3 percentage points in 2021 compared with 2020. The Company saw significant increases in raw material costs throughout 2021. Increases in the price of our products were implemented on a delayed basis after the initial impact of the cost increase. These cost increases created an inflationary impact that increased our LIFO reserve on inventory for continuing operations by $16.2 million in 2021 which negatively impacted our margins. These increased costs were partially offset by higher absorption of fixed costs due to increased sales volume in 2021.

Selling and Administrative Expenses. Selling and administrative expenses were $67.9 million in 2021 compared with $58.2 million in 2020, but lower as a percentage of the higher sales volume. Selling and administrative expenses as a percent of the net sales for 2021 and 2020 were 19.9% and 23.2% respectively. The increase in selling and administrative expenses in 2021 was the result of increased investment in samples, marketing and travel expense in 2021 after the reduced spending in these areas in 2020 due to the pandemic.

Other Operating Income. Net other operating income was $927 thousand in 2021 compared with an income of $108 thousand in 2020. In 2021, the income was primarily the result of $1.7 million in insurance proceeds related to a claim at our Roanoke, Alabama facility partially offset by $1.1 million in legal expenses.

Facility Consolidation and Severance Expenses, Net. Facility consolidation expenses were $.3 million in 2021 compared with $3.8 million in the year-earlier period. The facility consolidation expenses incurred during 2020 were primarily related to our COVID-19 Continuity Plan including severance and financing related charges, as well as residual costs from our Profit Improvement Plan including adjustments for workers' compensation related charges. The expenses in 2021 were primarily related to residual expense activity from the Profit Improvement Plan.

Operating Income (Loss). The operating income in 2021 was $10.0 million compared to a loss of $4.5 million in 2020. The 2020 loss was heavily driven by the negative sales impact during the height of the COVID-19 pandemic. The 2021 operating income was primarily the result of higher sales volume and lower expenses from restructuring.

Interest Expense. Interest expense of $4.7 million in 2021 was a reduction of $1.1 million from $5.8 million incurred in 2020. The reduction is the result of lower levels of debt in 2021 offset by adjustments to other comprehensive income as a result of financing initiatives in the fourth quarter of 2021 and elimination of related interest rate swap agreements.

Income Tax Expense (Benefit). Our effective income tax rate was an expense of 2.00% in 2021. The benefit relates to federal and state cash taxes paid offset by certain federal and state credits and also includes a benefit for the termination of certain derivative contracts for which there existed stranded tax effects within other comprehensive income. In 2021, we decreased our valuation allowance by $1.4 million related to our net deferred tax asset and specific state net operating loss and state tax credit carryforwards.

Our effective income tax rate was a benefit of 10.49% in 2020. The benefit relates to certain federal and state credits and also includes a benefit for the termination of certain derivative contracts for which there existed stranded tax effects within Other Comprehensive Income.

Net (Income) Loss. Continuing operations reflected an income of $5.2 million, or $0.32 per diluted share in 2021, compared with a loss from continuing operations of $9.8 million, or $0.64 per diluted share in 2020. Our discontinued operations reflected a loss of $3.5 million, or $0.23 per diluted share in 2021 compared with an income of $615 thousand, or $0.04 per diluted share in 2020. Including discontinued operations, we had a net income of $1.6 million, or $0.09 per diluted share, in 2021 compared with a net loss of $9.2 million, or $0.60 per diluted share, in 2020.

Discontinued operations includes the financial results related to the Commercial Business. In the third quarter of 2021, the Company divested the commercial business. The revenue, margin and selling expenses for the Commercial Business have been moved to discontinued operations. See footnote 21 to the consolidated financial statements for additional details related to discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 25, 2021, cash used in continuing operations was $6.6 million driven by increases in working capital. Increased sales volume resulted in an increase of $7.8 million in accounts receivable. Higher demand and increased costs drove inventories up by $14.8 million. These increases were slightly offset by a decrease in accounts payable and other accrued expenses of $7.3 million. The reduction in accounts payable and other accrued expenses was offset by increases in prepaids and other current assets of $1.9 million as the Company was required to prepay one primary raw material provider at fiscal year end December 25, 2021.

Net cash provided by investing activities was $15.1 million in the fiscal year 2021. This amount was primarily the result of the divestiture of the Commercial Business in the third quarter of 2021.

During the year ended December 25, 2021, cash used in financing activities was $.3 million. We had net borrowings of $4.8 million on the revolving credit facility. Payments on notes payable net of borrowings decreased cash by $2.9 million and finance leases were reduced by payments, net of borrowings, of $3.2 million. The balance in amount of checks outstanding in excess of cash at year end 2021 increased from prior year resulting in a cash inflow of $1.1 million.

We believe 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. We cannot predict, and are unable to know, the long-term impact of the COVID-19 pandemic and the related economic consequences or how these events may affect our future liquidity. Availability under the new Senior Secured Revolving Credit Facility on December 25, 2021 was $37.6 million. 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. There can be no assurance that such supplemental financing or other sources of funding can be obtained or will be obtained on terms favorable to us.

Debt Facilities

Revolving Credit Facility. During the fourth quarter of 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.

At our election, advances of the revolving credit facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, or 3 month periods, as defined with a floor or 0.75% or published 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. As of December 25, 2021, the applicable margin on our revolving credit facility was 1.75% for LIBOR and 0.75% for Prime. 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 3.00% at December 25, 2021 and 2.68% at December 26, 2020.

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 12.5% of the availability, and remains until the availability is greater than 12.5% for thirty consecutive days. As of December 25, 2021, the unused borrowing availability under the revolving credit facility was $37.6 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 and requires certain compliance, affirmative, and 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. The loan is secured by a first lien on a substantial portion of the Company's machinery and equipment, a certificate of deposit and a second lien on our Atmore and Roanoke facilities. Payments on the loan are interest only over the first three years and principal and interest over the remaining seven years.

Notes Payable - Buildings. On November 7, 2014, we entered into a ten-year $8.3 million note payable to purchase a previously leased distribution center in Adairsville, Georgia. The note payable is scheduled to mature on November 7, 2024 and is secured by the distribution center. The note payable bears interest at a variable rate equal to one-month LIBOR plus 2.0% and is payable in equal monthly installments of principal of $35 thousand, plus interest calculated on the declining balance of the note, with a final payment of $4.2 million due on maturity. In addition, we entered into an interest rate swap with an amortizing notional amount effective November 7, 2014 which effectively fixes the interest rate at 4.50%.

Notes Payable - Equipment and Other. Our equipment financing notes have terms ranging from 1 to 7 years, bear interest ranging from 1.60% to 7.00% through the year and are due in monthly installments through their maturity dates. Our equipment financing notes are secured by the specific equipment financed and do not contain any financial covenants.

Finance Lease - Buildings. 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 $11,500. Concurrent with the sale of the Property, we and the Purchaser entered into a twenty-year lease agreement (the "Lease Agreement"), whereby we will lease back the Property at an annual rental rate of $977, 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 as the present value of lease payments exceeded 90% of its fair value. We recorded a liability for the amounts received, will continue to depreciate the asset, and have 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. Concurrently with the sale, we paid off the approximately $5,000 mortgage on the property to First Tennessee Bank National Association and terminated the related fixed interest rate swap agreement.

Finance Lease Obligations. Our finance lease obligations are due in monthly or quarterly installments through their maturity dates. Our finance lease obligations are secured by the specific equipment leased. (See Note 11 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 25, 2021, the total unrecognized compensation expense related to unvested restricted stock awards was $1,337 thousand with a weighted-average vesting period of 6.5 years. At December 25, 2021, there was no unrecognized compensation expense related to unvested stock options.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements at December 25, 2021 or December 26, 2020.

Income Tax Considerations

In the tax year ended December 25, 2021 we increased our valuation allowances by $1.4 million related to our net deferred tax asset and specific state net operating loss and state credit carryforwards.

During 2022 and 2023, we do not anticipate any cash outlays for income taxes to exceed $1 million. This is due to tax loss carryforwards and tax credit carryforwards that will be used to partially offset taxable income. At December 25, 2021, we were in a net deferred tax liability position of $91 thousand.

Discontinued Operations - Environmental Contingencies

We have reserves for environmental obligations established at five previously owned sites that were associated with our discontinued textile businesses. We have a reserve of $1.9 million for environmental liabilities at these sites as of December 25, 2021. 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 25, 2021, 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).

Certain Related Party Transactions

We purchase a portion of our product needs in the form of fiber, yarn and carpet from Engineered Floors, an entity substantially controlled by Robert E. Shaw, a shareholder of our Company. An affiliate of Mr. Shaw holds approximately 7.6% of our Common Stock, which represents approximately 3.2% of the total vote of all classes of our Common Stock. Engineered Floors is one of several suppliers of such materials to us. Total purchases from Engineered Floors for 2021 and 2020 were approximately $3.9 million and $4.5 million, respectively; or approximately 1.4% and 2.3% of our cost of goods sold in 2021 and 2020, respectively. Purchases from Engineered Floors are based on market value, negotiated prices. We have no contractual commitments with Mr. Shaw associated with our business relationship with Engineered Floors. Transactions with Engineered Floors are reviewed annually by our board of directors.

We were a party to a ten-year lease with the Rothman Family Partnership to lease a facility as part of the Robertex acquisition in 2013. The controlling principal of the lessor was an associate of our Company until June 30, 2018. Rent paid to the lessor during 2021 and 2020 was $196 thousand and $289 thousand, respectively. The lease was based on current market values for similar facilities. This lease was terminated on August 31, 2021.

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 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. Incidental items that are immaterial in the context of the contract are recognized as expense. 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 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 estimated net realizable value. 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 $12.9 million at December 25, 2021 and $14.2 million at December 26, 2020. At December 25, 2021, we were in a net deferred tax liability position of $91 thousand. For further information regarding our valuation allowances, see Note 14 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 use of interest rate swap agreements (See Note 12 to the Consolidated Financial Statements).

At December 25, 2021, $35,922, or approximately 47% 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 $326. Included in the $35,922, is the amount outstanding for the term loans of $24,764. 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. 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

(a) 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 26, 2021, 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 our disclosure controls and procedures were effective as of the Evaluation Date.

(b) Changes in Internal Control over Financial Reporting. No changes in our internal control over financial reporting occurred during the quarter covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

Our management report on internal control over financial reporting is contained in Item 15(a)(1) of this report.

Item 9B. OTHER INFORMATION

None.

PART III.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The sections entitled "Information about Nominees for Director" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement of the registrant for the annual meeting of shareholders to be held May 4, 2022 are 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.

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 25, 2021, members of our audit committee are Michael L. Owens, Chairman, William F. Blue, Jr., Charles E. Brock, Lowry F. Kline, 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 4, 2022 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 4, 2022 are incorporated herein by reference.

Equity Compensation Plan Information as of December 25, 2021

The following table sets forth information as to our equity compensation plans as of the end of the 2021 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	271,320 (1)	$ 4.86 (2)	250,802

(1) Includes the options to purchase 141,000 shares of Common Stock under our 2016 Incentive Compensation Plan and 130,320 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 141,000 shares of Common Stock under our 2016 Incentive Compensation Plan and (ii) the price per share of the Common Stock on the grant date for each of 130,320 Performance Units issued under the 2016 Incentive Compensation Plan (each unit equivalent to one share of Common Stock).

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 4, 2022 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 4, 2022 is incorporated herein by reference. The independent registered public accounting firm is Dixon Hughes Goodman LLP (PCAOB Firm ID No. 57) 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: March 23, 2022

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	March 23, 2022
/s/ ALLEN L. DANZEY Allen L. Danzey	Vice President, Chief Financial Officer	March 23, 2022
/s/ D. KENNEDY FRIERSON, JR. D. Kennedy Frierson, Jr.	Vice President, Chief Operating Officer and Director	March 23, 2022
/s/ WILLIAM F. BLUE, JR. William F. Blue, Jr.	Director	March 23, 2022
/s/ CHARLES E. BROCK Charles E. Brock	Director	March 23, 2022
/s/ LOWRY F. KLINE Lowry F. Kline	Director	March 23, 2022
/s/ HILDA S. MURRAY Hilda S. Murray	Director	March 23, 2022
/s/ MICHAEL L. OWENS Michael L. Owens	Director	March 23, 2022

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 25, 2021

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):

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.

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 its internal control over financial reporting was effective as of December 25, 2021, based on those criteria.

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

/s/ Allen L. Danzey
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors 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 25, 2021 and December 26, 2020, the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for each of the two years ended December 25, 2021, and the related notes and schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for each of the two years ended December 25, 2021, in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP").

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 included 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 was 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 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 consolidated 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 25, 2021, the LIFO reserve was approximately $30,498,000. 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/ Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2013.
Atlanta, Georgia
March 23, 2022

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

	December 25, 2021	December 26, 2020 (As Adjusted)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,471	$ 1,920
Receivables, net	40,291	32,902
Inventories, net	82,739	67,900
Prepaid expenses	9,925	7,979
Current assets of discontinued operations	5,991	23,464
TOTAL CURRENT ASSETS	140,417	134,165
PROPERTY, PLANT AND EQUIPMENT, NET	48,658	52,905
OPERATING LEASE RIGHT-OF-USE ASSETS	22,534	21,151
OTHER ASSETS	21,138	16,975
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS	2,752	8,506
TOTAL ASSETS	$ 235,499	$ 233,702
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 16,748	$ 15,106
Accrued expenses	26,214	19,483
Current portion of long-term debt	3,361	6,116
Current portion of operating lease liabilities	2,528	3,089
Current liabilities of discontinued operations	5,362	11,502
TOTAL CURRENT LIABILITIES	54,213	55,296
LONG-TERM DEBT, NET	73,701	72,041
OPERATING LEASE LIABILITIES	20,692	18,630
OTHER LONG-TERM LIABILITIES	16,030	17,636
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	4,488	6,308
TOTAL LIABILITIES	169,124	169,911
COMMITMENTS AND CONTINGENCIES (See Note 18)		
STOCKHOLDERS' EQUITY		
Common Stock ($3 par value per share): Authorized 80,000,000 shares, issued and outstanding - 14,792,647 shares for 2021 and 14,557,435 shares for 2020	44,378	43,672
Class B Common Stock ($3 par value per share): Authorized 16,000,000 shares, issued and outstanding - 1,004,975 shares for 2021 and 880,313 shares for 2020	3,015	2,641
Additional paid-in capital	157,658	158,329
Accumulated deficit	(138,706)	(140,321)
Accumulated other comprehensive income (loss)	30	(530)
TOTAL STOCKHOLDERS' EQUITY	66,375	63,791
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 235,499	$ 233,702

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 25, 2021		December 26, 2020 (As Adjusted)
NET SALES	**$**	**341,247**	$	250,869
Cost of sales		**263,992**		193,538
GROSS PROFIT		**77,255**		57,331
Selling and administrative expenses		**67,926**		58,175
Other operating (income) expense, net		**(927)**		(108)
Facility consolidation and severance expenses, net		**255**		3,752
OPERATING INCOME (LOSS)		**10,001**		(4,488)
Interest expense		**4,742**		5,803
Other (income) expense, net		**1**		678
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES		**5,258**		(10,969)
Income tax provision (benefit)		**105**		(1,146)
INCOME (LOSS) FROM CONTINUING OPERATIONS		**5,153**		(9,823)
Income (loss) from discontinued operations, net of tax		**(3,537)**		615
NET INCOME (LOSS)	**$**	**1,616**	$	(9,208)
BASIC EARNINGS (LOSS) PER SHARE:				
Continuing operations	**$**	**0.33**	$	(0.64)
Discontinued operations		**(0.23)**		0.04
Net income (loss)	**$**	**0.10**	$	(0.60)
BASIC SHARES OUTSTANDING		**15,114**		15,316
DILUTED EARNINGS (LOSS) PER SHARE:				
Continuing operations	**$**	**0.32**	$	(0.64)
Discontinued operations		**(0.23)**		0.04
Net income (loss)	**$**	**0.09**	$	(0.60)
DILUTED SHARES OUTSTANDING		**15,250**		15,436
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 25, 2021	December 26, 2020 (As Adjusted)
NET INCOME (LOSS)	**$ 1,616**	$ (9,208)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized gain (loss) on interest rate swaps	**94**	(1,316)
Income taxes	**—**	—
Unrealized gain (loss) on interest rate swaps, net	**94**	(1,316)
Reclassification of loss into earnings from interest rate swaps (1)	**646**	1,967
Income taxes	**174**	343
Reclassification of loss into earnings from interest rate swaps, net	**472**	1,624
Unrecognized net actuarial gain (loss) on postretirement benefit plans	**18**	—
Income taxes	**—**	—
Unrecognized net actuarial gain (loss) on postretirement benefit plans, net	**18**	—
Reclassification of net actuarial gain into earnings from postretirement benefit plans (2)	**(24)**	(27)
Income taxes	**—**	—
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net	**(24)**	(27)
Reclassification of prior service credits into earnings from postretirement benefit plans (2)	**—**	(3)
Income taxes	**—**	—
Reclassification of prior service credits into earnings from postretirement benefit plans, net	**—**	(3)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**560**	278
COMPREHENSIVE INCOME (LOSS)	**$ 2,176**	$ (8,930)

(1) Amounts for cash flow hedges reclassified from accumulated other comprehensive income (loss) to net income (loss) were included in interest expense in the Company's Consolidated Statements of Operations.
(2) Amounts for postretirement plans reclassified from accumulated other comprehensive income (loss) to net income (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 25, 2021	December 26, 2020 (As Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from continuing operations	**$ 5,153**	$ (9,823)
Income (loss) from discontinued operations	**(3,537)**	615
Net income (loss)	**1,616**	(9,208)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**8,474**	9,550
Benefit for deferred income taxes	**(69)**	(343)
Net loss (gain) on property, plant and equipment disposals	**210**	41
Stock-based compensation (credit) expense	**477**	431
Bad debt expense	**451**	90
Write-off of deferred financing costs	—	157
Changes in operating assets and liabilities:		
Receivables	**(7,840)**	(4,671)
Inventories	**(14,838)**	7,970
Prepaids and other current assets	**(1,946)**	(2,173)
Accounts payable and accrued expenses	**7,314**	4,156
Other operating assets and liabilities	**(4,025)**	2,115
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(6,639)**	7,500
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES - DISCONTINUED OPERATIONS	**(8,770)**	6,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sales of property, plant and equipment	**19,475**	44
Purchase of property, plant and equipment	**(4,376)**	(1,359)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**15,099**	(1,315)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES - DISCONTINUED OPERATIONS	**141**	(401)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on revolving credit facility	**4,806**	(31,341)
Borrowings on notes payable - buildings and other term loans	**—**	25,000
Payments on notes payable - buildings and other term loans	**(606)**	(343)
Borrowings on notes payable - equipment and other	**1,565**	1,460
Payments on notes payable - equipment and other	**(3,883)**	(2,380)
Borrowings on finance leases	**—**	2,211
Payments on finance leases	**(3,152)**	(4,756)
Change in outstanding checks in excess of cash	**1,059**	2,094
Repurchases of Common Stock	**(69)**	(921)
Payments for debt issuance costs	**—**	(1,706)
NET CASH USED IN FINANCING ACTIVITIES	**(280)**	(10,682)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(449)**	1,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,920**	769
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 1,471**	$ 1,920
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	**$ 3,141**	$ 3,591
Interest paid for financing leases	**1,483**	1,702
Income taxes paid (received), net	**982**	(100)
Right-of-use assets obtained in exchange for new operating lease	**4,922**	653
Equipment purchased under notes payable	**—**	1,314
Assets acquired in acquisitions, net of cash acquired	**1,025**	—

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 (Loss)	Total Stockholders' Equity
Balance at December 28, 2019	**$ 45,075**	**$ 2,510**	**$ 157,547**	**$ (131,113)**	**$ (808)**	**$ 73,211**
Repurchases of Common Stock - 555,875 shares	(1,668)	—	747	—	—	(921)
Restricted stock grants issued - 131,867 shares	265	131	(396)	—	—	—
Stock-based compensation expense	—	—	431	—	—	431
Net loss	—	—	—	(9,208)	—	(9,208)
Other comprehensive income	—	—	—	—	278	278
Balance at December 26, 2020	**$ 43,672**	**$ 2,641**	**$ 158,329**	**$ (140,321)**	**$ (530)**	**$ 63,791**
Repurchases of Common Stock - 20,329 shares	(61)	—	(8)	—	—	(69)
Restricted stock grants issued - 387,680 shares	789	374	(1,163)	—	—	—
Restricted stock grants forfeited - 7,477 shares	(22)	—	18	—	—	(4)
Class B converted into Common Stock - 2,635 shares	—	—	—	—	—	—
Stock-based compensation expense	—	—	481	—	—	481
Net income	—	—	—	1,616	—	1,616
Other comprehensive loss	—	—	—	—	560	560
Balance at December 25, 2021	**$ 44,378**	**$ 3,015**	**$ 157,657**	**$ (138,705)**	**$ 30**	**$ 66,375**

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. The Company sells floorcovering products in residential applications. Additionally, the Company provides manufacturing support to its carpet businesses through its separate processing operations.

Based on applicable accounting standards, the Company has determined that it has one reportable segment, Floorcovering.

On September 13, 2021, the Company acting by and through its wholly owned operating subsidiary, TDG Operations, LLC, sold its Atlas|Masland commercial business (the “Commercial Business”). As a result of entering into a definitive agreement, we have classified the related assets and liabilities associated with our Commercial Business as held for discontinued operations in our consolidated balance sheet . The results of our Commercial Business have been presented as discontinued operations in our consolidated statement of income for all periods presented as the sale represents a shift in our business that has a major effect on our operations and financial results. Prior to the consummation of the sale, the Company was neither actively marketing the business for sale nor had intentions to abandon the Commercial Business and as a result did not present the results as assets held for sale or discontinued operations in prior filings. Interest expense and general and administrative expenses were not allocated to discontinued operations. Our consolidated financial statements and disclosures as of and for the year ended December 26, 2020 have been adjusted to reflect such discontinued operations classifications. See Note 21 for further detail of the Company’s discontinued operations reporting.

Unless specifically noted otherwise, footnote disclosures reflect the results of continuing operations only. The results of discontinued operations are presented in footnote 21.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of The Dixie Group, Inc. and its wholly-owned subsidiaries (the "Company"). Significant intercompany accounts and transactions have been eliminated in consolidation.

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 "2021" and "2020" mean the fiscal years ended December 25, 2021 and December 26, 2020 respectively. All years presented contained 52 weeks.

Discontinued Operations

The consolidated financial statements separately report discontinued operations and the results of continuing operations (See Note 21).

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. As a percentage of net sales, one customer accounted for approximately 9% in 2021 and 9% in 2020. No other customer accounted for more than 10% of net sales in 2021 or 2020, nor did the Company make a significant amount of sales to foreign countries during 2021 or 2020.

Credit Risk

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 doubtful accounts, 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. As a percentage of customer's trade accounts receivable, one customer accounted for approximately 20% in 2021 and 23% in 2020. Notes receivable are carried at their outstanding principal amounts, less an allowance for doubtful accounts to cover potential credit losses based on the financial condition of borrowers and collateral held by the Company.

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.

Derivative Financial Instruments

The Company does not hold speculative financial instruments, nor does it hold or issue financial instruments for trading purposes. The Company uses derivative instruments, currently interest rate swaps, to minimize the effects of interest rate volatility.

The Company recognizes all derivatives at fair value. Derivatives that are designated as cash flow hedges are linked to specific liabilities on the Company's balance sheet. The Company assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. When it is determined that a derivative is not highly effective or the derivative expires, is sold, terminated, or exercised, the Company discontinues hedge accounting for that specific hedge instrument. Changes in the fair value of effective cash flow hedges are deferred in accumulated other comprehensive income (loss) ("AOCIL") and reclassified to earnings in the same periods during which the hedge transaction affects earnings. Changes in the fair value of derivatives that are not effective cash flow hedges are recognized in results of operations.

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. Incidental items that are immaterial in the context of the contract are recognized as expense. 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 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 2021 and 2020.

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 9). 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.

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 17). The Company accounts for forfeitures when they actually occur.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted in Fiscal 2021

In August 2018, the FASB issued ASU 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) - Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans.” This update is a part of FASB’s disclosure framework project to improve the effectiveness of disclosures in the notes to financial statements. The amendments in this update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This standard is effective for fiscal years ending after December 15, 2020 and early adoption is permitted. Upon adoption, this update is to be applied on a retrospective basis to all periods presented. The adoption of this ASU did not have a significant impact on the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes." The standard eliminates the need for an organization to analyze whether the following apply in a given period: (1) the exception to the incremental approach for intraperiod tax allocation; (2) the exceptions to accounting for basis differences when there are ownership changes in foreign investments; and (3) the exception in interim periods income tax accounting for year-to-date losses that exceed anticipated losses. The ASU also is designed to improve financial statement preparers’ application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, (4) enacted changes in tax laws in interim periods and (5) certain income tax accounting for employee stock ownership plans and affordable housing projects. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. See footnote 14 on Income Taxes for further information.

(amounts in thousands, except per share data)

Accounting Standards Yet to Be Adopted

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which amends the impairment model to utilize an expected loss methodology in place of the current incurred loss methodology, which will result in the more timely recognition of losses. For smaller reporting entities, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The ASU, including the subsequently issued codification improvements update ("Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," ASU 2019-04) and the targeted transition relief update ("Financial Instruments-Credit Losses (Topic 326)," ASU 2019-05), is not expected to have a significant impact on the consolidated financial statements due to the nature of the Company's customers and the limited amount of write-offs in past years.

NOTE 3 - REVENUE

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company’s revenue from continuing and discontinued operations by end-user markets:

	2021	2020 (As Adjusted)
Residential floorcovering products, continuing operations	**$ 341,247**	$ 250,869
Commercial floorcovering products, discontinued operations	**$ 48,070**	$ 65,070
Total net sales, continuing and discontinued operations	**$ 389,317**	$ 315,939

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.

Commercial floorcovering products. Commercial floorcovering products include broadloom carpet, carpet tile, rugs, and luxury vinyl flooring. These products are sold into the corporate, hospitality, healthcare, government, and education markets through the use of designers and architects.

(amounts in thousands, except per share data)

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 often receives 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 Condensed 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:

	2021	2020 (As Adjusted)
Beginning contract liability	$ 1,005	$ 920
Revenue recognized from contract liabilities included in the beginning balance	(927)	(883)
Increases due to cash received, net of amounts recognized in revenue during the period	1,207	968
Ending contract liability	$ 1,285	$ 1,005

NOTE 4 - RECEIVABLES, NET

Receivables are summarized as follows:

	2021	2020 (As Adjusted)
Customers, trade	$ 37,148	$ 31,074
Other receivables	3,251	1,920
Gross receivables	40,399	32,994
Less: allowance for doubtful accounts	(108)	(92)
Receivables, net	$ 40,291	$ 32,902

Bad debt expense was $451 in 2021 and $90 in 2020.

NOTE 5 - INVENTORIES, NET

Inventories are summarized as follows:

	2021	2020 (As Adjusted)
Raw materials	$ 35,337	$ 23,877
Work-in-process	15,186	12,086
Finished goods	62,592	46,017
Supplies and other	122	168
LIFO reserve	(30,498)	(14,248)
Inventories, net	$ 82,739	$ 67,900

(amounts in thousands, except per share data)

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consists of the following:

		2021		2020 (As Adjusted)
Land and improvements	**$**	**3,422**	$	3,422
Buildings and improvements		**51,430**		51,479
Machinery and equipment		**158,248**		158,492
Assets under construction		**811**		1,167
		213,911		214,560
Accumulated depreciation		**(165,253)**		(161,655)
Property, plant and equipment, net	**$**	**48,658**	$	52,905

Depreciation of property, plant and equipment, including amounts for finance leases, totaled $8,272 in 2021 and $9,332 in 2020.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses are summarized as follows:

		2021		2020 (As Adjusted)
Compensation and benefits (1)	**$**	**10,703**	$	6,357
Provision for customer rebates, claims and allowances		**7,562**		6,998
Advanced customer deposits		**1,285**		1,005
Outstanding checks in excess of cash		**3,153**		2,094
Other		**3,511**		3,029
Accrued expenses	**$**	**26,214**	$	19,483

(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 $3,233.

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:

		2021		2020 (As Adjusted)
Product warranty reserve at beginning of period	**$**	**895**	$	796
Warranty liabilities accrued		**636**		640
Warranty liabilities settled		**(481)**		(541)
Changes for pre-existing warranty liabilities		**—**		—
Product warranty reserve at end of period	**$**	**1,050**	$	895

(amounts in thousands, except per share data)

NOTE 9 - LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Long-term debt consists of the following:

	2021	2020
Revolving credit facility	**$ 33,158**	$ 28,353
Term loans	**24,781**	24,970
Notes payable - buildings	**5,484**	5,900
Notes payable - equipment and other	**1,607**	3,926
Finance lease - buildings	**10,873**	11,097
Finance lease obligations	**2,913**	5,841
Deferred financing costs, net	**(1,754)**	(1,930)
Total long-term debt	**77,062**	78,157
Less: current portion of long-term debt	**3,361**	6,116
Long-term debt	**$ 73,701**	$ 72,041

Revolving Credit Facility

During the fourth quarter of 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.

At the Company's election, advances of the revolving credit facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, or 3 month periods, as defined with a floor or 0.75% or published 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. As of December 25, 2021, the applicable margin on the Company's revolving credit facility was 1.75% for LIBOR and 0.75% for Prime. 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 3.00% at December 25, 2021 and 2.68% for December 26, 2020.

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. As of the reporting date, the Company is in compliance or has obtained an appropriate waiver for all such applicable covenants. The Company is only subject to the financial covenants if borrowing availability is less than 12.5% of the availability, and remains until the availability is greater than 12.5% for thirty consecutive days. As of December 26, 2021, the unused borrowing availability under the revolving credit facility was $37,632.

Effective October 30, 2020, the Company's previous Senior Secured Credit Facility with Wells Fargo Capital Finance, LLC was terminated and repaid, with the subsequent new loans, by the Company upon notice to the lender in accordance with the terms of the facility.

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 and requires certain compliance, affirmative, and financial covenants. As of the reporting date, the Company is in compliance with all such covenants.

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. The loan is secured by a first lien on a substantial portion of the Company’s machinery and equipment, a second lien on the Company’s Atmore and Roanoke facilities and a certificate of deposit. The loan requires certain compliance, affirmative, and financial covenants and, as of the reporting date, the Company is in compliance with all such covenants. Payments on the loan are interest only over the first three years and principal and interest over the remaining seven years.

(amounts in thousands, except per share data)

Notes Payable - Buildings

On November 7, 2014, the Company entered into a ten-year $8,330 note payable to purchase a previously leased distribution center in Adairsville, Georgia. The note payable is scheduled to mature on November 7, 2024 and is secured by the distribution center. The note payable bears interest at a variable rate equal to one-month LIBOR plus 2.0% and is payable in equal monthly installments of principal of $35, plus interest calculated on the declining balance of the note, with a final payment of $4,165 due on maturity. In addition, the Company entered into an interest rate swap with an amortizing notional amount effective November 7, 2014 which effectively fixes the interest rate at 4.50%.

Notes Payable - Equipment and Other

The Company's equipment financing notes have terms ranging from 1 to 7 years, bore interest ranging from 1.60% to 7.00% through the year 2021 and are due in monthly installments through their maturity dates. The Company's equipment financing notes are secured by the specific equipment financed and do not contain any financial covenants.

Finance Lease - Buildings

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 as the present value of lease payments exceeded 90% of its fair value. The Company recorded a liability for the amounts received, will continue to depreciate the asset, and has 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. Concurrently with the sale, the Company paid off the approximately $5,000 mortgage on the property to First Tennessee Bank National Association and terminated the related fixed interest rate swap agreement.

Finance Lease Obligations

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

See Note 10 for further discussion of the impact of COVID-19 on the Company's finance lease obligations.

Debt Maturities

Maturities of long-term debt for periods following December 25, 2021 are as follows:

	Long-Term Debt	Finance Leases (See Note 10)	Total
2022	$ 2,257	$ 1,104	$ 3,361
2023	943	2,344	3,287
2024	6,578	325	6,903
2025	35,345	357	35,702
2026	2,279	396	2,675
Thereafter	17,627	9,261	26,888
Total maturities of long-term debt	$ 65,029	$ 13,787	$ 78,816
Deferred financing costs, net	(1,754)	—	(1,754)
Total long-term debt	$ 63,275	$ 13,787	$ 77,062

(amounts in thousands, except per share data)

NOTE 10 - LEASES

COVID-19 Pandemic

In response to the large volume of anticipated lease concessions to be granted related to the effects of the COVID-19 pandemic, and the resulting expected cost and complexity of applying the lease modification requirements in ASC 842, the FASB issued Staff Q&A-Topic 842 and Topic 840: *Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic*, in April 2020 as interpretive guidance to provide clarity in response to the crisis. The FASB staff indicated that it would be acceptable for entities to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how they would be accounted for as though enforceable rights and obligations for those concessions existed in the original contract. Consequently, for such lease concessions, an entity will not need to reassess each existing contract to determine whether enforceable rights and obligations for concessions exist and an entity can then elect to apply or not to apply the lease modification guidance in ASC 842 to those contracts. This election is available for concessions related to the effects of the COVID-19 pandemic that will result in the total payments required by the modified contract being substantially the same as or less than total payments required by the original contract.

The Company has made this election and, consequently, for such lease concessions, did not reassess each existing contract to determine whether enforceable rights and obligations for concessions existed and elected not to apply the lease modification guidance in ASC 842 to those contracts. The Company has accounted for the concessions as if no changes to the lease contract were made and has subsequently increased accounts payable and has continued to recognize expense during the deferral period.

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

	Balance Sheet Location	December 25, 2021	12/26/2020 (As Adjusted)
Operating Leases:			
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 22,534	$ 21,151
Current portion of operating lease liabilities	Current portion of operating lease liabilities	2,528	3,089
Noncurrent portion of operating lease liabilities	Operating lease liabilities	20,692	18,630
Total operating lease liabilities		$ 23,220	$ 21,719
Finance Leases:			
Finance lease right-of-use assets (1)	Property, plant, and equipment, net	$ 10,111	$ 14,332
Current portion of finance lease liabilities (1)	Current portion of long-term debt	1,104	2,771
Noncurrent portion of finance lease liabilities (1)	Long-term debt	12,683	14,167
		$ 13,787	$ 16,938

(1) Includes leases classified as failed sale-leaseback transactions.

(amounts in thousands, except per share data)

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

	December 25, 2021	December 26, 2020
Operating lease cost	$ 4,479	$ 4,734
Finance lease cost:		
Amortization of lease assets (1)	2,069	3,160
Interest on lease liabilities (1)	1,483	1,702
Total finance lease costs (1)	$ 3,552	$ 4,862

(1) Includes leases classified as failed sale-leaseback transactions.

Other supplemental information related to leases is summarized as follows:

	December 25, 2021	December 26, 2020
Weighted average remaining lease term (in years):		
Operating leases	7.65	7.89
Finance leases (1)	13.82	12.57
Weighted average discount rate:		
Operating leases	6.30 %	6.81 %
Finance leases (1)	9.73 %	9.42 %
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	4,395	4,568
Operating cash flows from finance leases (1)	1,483	1,702
Financing cash flows from finance leases (1)	3,152	4,756

(1) Includes leases classified as failed sale-leaseback transactions.

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
2022	3,919	2,386
2023	3,708	3,409
2024	3,631	1,045
2025	3,670	1,053
2026	3,707	1,066
Thereafter	11,003	13,918
Total future minimum lease payments (undiscounted)	29,638	22,877
Less: Present value discount	(6,418)	(9,090)
Total lease liability	23,220	13,787

On October 22, 2019, the Company sold its Susan Street facility in Santa Ana, California to CenterPoint Properties Trust. The sale price was $37,195. The gain on the sale transaction was $25,121. The transaction was accounted for as a successful sale-leaseback.

Concurrent with the sale of the Susan Street facility, the Company (by a wholly-owned subsidiary) entered into an operating lease to lease back the property for a term of 10 years with two 5 year renewal options. The initial annual rental is $2,083 increasing at 2% per year for the term of the lease. The lease requires the landlord to make certain required capital improvements, at no further rental increase or charge to the Company. The Company is responsible for normal maintenance of the building and facilities. The Company concurrently executed a lease guaranty, pursuant to which it guaranteed the prompt payment when due of all rent payments to be made under the lease agreement.

(amounts in thousands, except per share data)

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 following table reflects the fair values of assets and liabilities measured and recognized at fair value on a recurring basis on the Company's Consolidated Balance Sheets:

	2021	2020	Fair Value Hierarchy Level
Liabilities:			
Interest rate swaps (1)	**$ 210**	$ 440	Level 2

(1) The Company uses certain external sources in deriving the fair value of the interest rate swaps. The interest rate swaps were valued using observable inputs (e.g., LIBOR yield curves, credit spreads). Valuations of interest rate swaps may fluctuate considerably from period-to-period due to volatility in underlying interest rates, which are driven by market conditions and the duration of the instrument. Credit adjustments could have a significant impact on the valuations due to changes in credit ratings of the Company or its counterparties.

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

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**$ 1,471**	**$ 1,471**	$ 1,920	$ 1,920
Financial liabilities:				
Long-term debt, including current portion	**63,275**	**61,721**	61,219	58,803
Finance leases, including current portion	**13,787**	**16,389**	16,938	18,451
Interest rate swaps	**210**	**210**	440	440

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 and notes receivable approximate their carrying amounts due to the short-term nature of the financial instruments.

(amounts in thousands, except per share data)

NOTE 12 - DERIVATIVES

The Company's earnings, cash flows and financial position are exposed to market risks relating to interest rates. It is the Company's policy to minimize its exposure to adverse changes in interest rates and manage interest rate risks inherent in funding the Company with debt. The Company addresses this risk by maintaining a mix of fixed and floating rate debt and entering into interest rate swaps for a portion of its variable rate debt to minimize interest rate volatility.

The following is a summary of the Company's interest rate swaps as of year end::

Type	Notional Amount	Effective Date	Fixed Rate	Variable Rate
Interest rate swap	$ 5,796 (1)	November 7, 2014 through November 7, 2024	4.500%	1 Month LIBOR

(1) Interest rate swap notional amount amortizes by $35 monthly to maturity.

The following table summarizes the fair values of derivative instruments included in the Company's Consolidated Balance Sheets:

	Location on Consolidated Balance Sheets	Fair Value 2021	Fair Value 2020
Liability Derivatives:			
Derivatives designated as hedging instruments:			
Interest rate swaps, current portion	Accrued Expenses	**$ 110**	$ 135
Interest rate swaps, long-term portion	Other Long-Term Liabilities	**100**	305
Total Liability Derivatives		**$ 210**	$ 440

The following tables summarize the pre-tax impact of derivative instruments on the Company's consolidated financial statements:

	Amount of Gain or (Loss) Recognized in AOCIL on the effective portion of the Derivative 2021	2020
Derivatives designated as hedging instruments:		
Cash flow hedges - interest rate swaps	**$ 94**	$ (1,316)

	Amount of Gain or (Loss) Reclassified from AOCIL on the effective portion into Income (1) (2) 2021	2020
Derivatives designated as hedging instruments:		
Cash flow hedges - interest rate swaps	**$ 135**	$ 1,106

	Amount of Gain or (Loss) Recognized on the Dedesignated Portion in Income on Derivative (3) 2021	2020
Derivatives dedesignated as hedging instruments:		
Cash flow hedges - interest rate swaps	**$ 511**	$ 861

(1) The amount of gain (loss) reclassified from AOCIL is included in interest expense on the Company's Consolidated Statements of Operations.

(2) The amount of loss expected to be reclassified from AOCIL into earnings during the next 12 months subsequent to December 25, 2021 is $123. See footnote 23 Subsequent Events for further information.
(3) The amount of gain (loss) recognized in income on the dedesignated portion of interest rate swaps is included in other income or other expense on the Company's Consolidated Statements of Operations. The amount of expense recognized on the Company's Consolidated Statements of Operations for the terminated portion of interest rate swaps is included in interest expense.

On October 30, 2020, the Company terminated two interest rate swap agreements tied to its revolving line of credit. The cost to terminate the swap agreements was $1,427. During the fourth quarter of 2020, the Company performed its retrospective and prospective effectiveness assessments of the interest rate swap agreements. Based upon the Company's ability to secure additional fixed asset borrowings, the Company could no longer assert that the cash flows for $25,000 of notional amount of the interest rate swaps are probable. Because it is probable that none of the remaining forecasted interest payments that were being hedged by the second $25,000 interest rate swap will occur, the related losses that had been deferred in AOCIL were immediately reclassified into other (income) expense. However, the losses related to the first $25,000 interest rate swap was reclassified from AOCIL to interest expense as the hedged interest payments are recognized as the Company could not establish that future cash flows are probable not to occur on the first interest rate swap.

NOTE 13 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The Company sponsors a 401(k) defined contribution plan that covers a significant portion, or approximately 86% 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 $1,176 in 2021 and $345 in 2020.

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 14% 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 $101 in 2021 and $96 in 2020.

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 $15,794 at December 25, 2021 and $15,081 at December 26, 2020 and are included in other long-term liabilities in the Company's Consolidated Balance Sheets. The obligations for discontinued operations owed to participants under this plan were $2,218 at December 25, 2021 and $2,566 at December 26, 2020 and are included in long term liabilities of discontinued operations 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 $16,608 at December 25, 2021 and $15,385 at December 26, 2020 and is included in other assets in the Company's Consolidated Balance Sheets. The cash surrender value of the policies for discontinued operations was $2,218 at December 25, 2021 and $2,566 at December 26, 2020 and is included in long term assets of discontinued operations in the Company's Consolidated Balance Sheets.

Multi-Employer Pension Plan

Recognized within discontinued operations, 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 15% 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 2021 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 2021 and 2020 is for the plan's year-end at 2020 and 2019, 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.

(amounts in thousands, except per share data)

		Pension Protection Act Zone Status			Contributions (2)				
Pension Fund	EIN/Pension Plan Number	2021	December 26, 2020 (As Adjusted)	FIP/RP Status Pending/Implemented (1)	2021	2020	2019	Surcharge Imposed (1)	Expiration Date of Collective-Bargaining Agreement
The Pension Plan of the National Retirement Fund	13-6130178 - 001	Red	Red	Implemented	$ 280	$ 272	$ 335	Yes	6/4/2022

(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, and a surcharge equal to $0.03 per hour (from $0.63 to $0.66) effective June 1, 2020 to May 31, 2021. Based upon current employment and benefit levels, the Company's contributions to the multi-employer pension plan are expected to be approximately $290 for 2022.
(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:

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 390**	$ 360
Service cost	**8**	8
Interest cost	**16**	17
Actuarial (gain) loss	**(17)**	6
Benefits paid	**(1)**	(1)
Benefit obligation at end of year	**396**	390
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	**$ (396)**	$ (390)

(amounts in thousands, except per share data)

The balance sheet classification of the Company's liability for the postretirement benefit plan is summarized as follows:

	2021	2020
Accrued expenses	**$ 19**	$ 17
Other long-term liabilities	**377**	373
Total liability	**$ 396**	$ 390

Benefits expected to be paid on behalf of associates for the postretirement benefit plan during the period 2021 through 2030 are summarized as follows:

Years	Postretirement Plan
2022	$ 19
2023	18
2024	17
2025	17
2026	16
2027-31	83

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

	2021	2020
Weighted-average assumptions as of year-end:		
Discount rate (benefit obligation)	**3.25 %**	3.25 %

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

	2021	2020
Service cost	**$ 8**	$ 8
Interest cost	**16**	17
Amortization of prior service credits	**—**	—
Recognized net actuarial gains	**(22)**	(25)
Net periodic benefit cost (credit)	**$ 2**	$ —

Pre-tax amounts included in AOCIL for the Company's postretirement benefit plan at 2020 are summarized as follows:

	Postretirement Benefit Plan	
	Balance at 2021	2022 Expected Amortization
Unrecognized actuarial gains	**$ (309)**	$ (22)
Totals	**$ (309)**	$ (22)

(amounts in thousands, except per share data)

NOTE 14 - INCOME TAXES

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

	2021	2020 (As Adjusted)
Current		
Federal	$ **141**	$ (912)
State	**136**	109
Total current	**277**	(803)
Deferred		
Federal	**(139)**	(277)
State	**(33)**	(66)
Total deferred	**(172)**	(343)
Income tax provision (benefit)	$ **105**	$ (1,146)

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:

	2021	2020 (As Adjusted)
Federal statutory rate	**21 %**	21 %
Statutory rate applied to income (loss) from continuing operations before taxes	$ **1,104**	$ (2,296)
Plus state income taxes, net of federal tax effect	**81**	34
Total statutory provision (benefit)	**1,185**	(2,262)
Effect of differences:		
Nondeductible meals and entertainment	**1**	30
Executive compensation limitation	**37**	—
Federal tax credits	**(227)**	(279)
Reserve for uncertain tax positions	**7**	7
Change in valuation allowance	**(857)**	1,236
Stock-based compensation	**(18)**	141
Other items	**(23)**	(19)
Income tax provision (benefit)	$ **105**	$ (1,146)

During the fourth quarter of 2017, the Company recorded a full valuation allowance against its deferred tax assets, which remains in effect as of December 25, 2021. 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 25, 2021 and December 26, 2020, respectively, which is recorded in other long-term liabilities in the Company's Consolidated Balance Sheets.

The income tax provision for the twelve months ended December 25, 2021 was $105 compared with an income tax benefit of $1,146 for the twelve months ended December 26, 2020. Due to its full valuation allowance against its deferred tax balances, the Company is only able to recognize refundable credits, a small amount of state taxes, and benefits for both the reduction of certain indefinite lived assets not covered by the Company's valuation allowance and the recognition of stranded tax effects within other comprehensive income (loss) related to the termination of certain derivative contracts in the tax benefit for 2020 and 2021. In 2021, the Company adopted ASU 2019-12 which impacts the accounting for income taxes. One of the items in the new accounting standard is a removal of the exception to the incremental approach for intraperiod tax allocation in the event of a loss from continuing operations and income from other financial statement components. In 2020, the Company had a loss from continuing operations and income from discontinued operations. Because the Company did not early adopt ASU 2019-12 for the 2020 reporting year, the income from discontinued operations was considered a source of taxable income to realize a partial tax benefit for the loss generated by continuing operations. As such, the 2020 financial statements reflect tax expense in discontinued operations and a tax benefit in continuing operations. Applying the change on a prospective basis, this did not occur in 2021 and as such created a difference in the effective tax rate for continuing operations between 2020 and 2021.

(amounts in thousands, except per share data)

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

	2021	2020 (As Adjusted)
Deferred tax assets:		
Inventories	$ 2,316	$ 2,061
Retirement benefits	824	1,126
State net operating losses	3,033	3,305
Federal net operating losses	—	556
State tax credit carryforwards	1,669	1,688
Federal tax credit carryforwards	4,136	4,413
Allowances for bad debts, claims and discounts	1,779	1,874
Other	3,958	4,595
Total deferred tax assets	17,715	19,618
Valuation allowance	(12,851)	(14,202)
Net deferred tax assets	4,864	5,416
Deferred tax liabilities:		
Property, plant and equipment	4,955	5,507
Total deferred tax liabilities	4,955	5,507
Net deferred tax liability	$ (91)	$ (91)

At December 25, 2021, $3,033 of deferred tax assets related to approximately $58,180 of state net operating loss carryforwards. In addition, $4,136 of federal tax credit carryforwards and $1,669 of state tax credit carryforwards were available to the Company. The federal tax credit carryforwards will expire between 2029 and 2042. The federal net operating loss carryforwards generated in 2018 have no expiration. The state net operating loss carryforwards and the state tax credit carryforwards will expire between 2021 and 2041. A valuation allowance of $12,851 is recorded to reflect the estimated amount of deferred tax assets that may not be realized during the carryforward periods. At December 25, 2021, 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.

Tax Uncertainties

The Company accounts for uncertainty in income tax positions according to FASB guidance relating to uncertain tax positions. Unrecognized tax benefits were $494 at December 25, 2021 and $487 at December 26, 2020. Such benefits, if recognized, would affect the Company's effective tax rate. There were no significant interest or penalties accrued as of December 25, 2021 or December 26, 2020.

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

	2021	2020
Balance at beginning of year	$ 487	$ 480
Additions based on tax positions taken during a current period	7	7
Balance at end of year	$ 494	$ 487

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 2017 remain open to examination for U.S. federal income taxes. The majority of state jurisdictions remain open for tax years subsequent to 2017. A few state jurisdictions remain open to examination for tax years subsequent to 2016.

NOTE 15 - 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.

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 accounting guidance requires additional 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:

	2021	2020 (As Adjusted)
Basic earnings (loss) per share:		
Income (loss) from continuing operations	$ 5,153	$ (9,823)
Less: Allocation of earnings to participating securities	(200)	—
Income (loss) from continuing operations available to common shareholders - basic	$ 4,953	$ (9,823)
Basic weighted-average shares outstanding (1)	15,114	15,316
Basic earnings (loss) per share - continuing operations	$ 0.33	$ (0.64)
Diluted earnings (loss) per share:		
Income (loss) from continuing operations available to common shareholders - basic	$ 4,953	$ (9,823)
Add: Undistributed earnings reallocated to unvested shareholders	2	—
Income (loss) from continuing operations available to common shareholders - basic	$ 4,955	$ (9,823)
Basic weighted-average shares outstanding (1)	15,114	15,316
Effect of dilutive securities:		
Stock options (2)	6	—
Directors' stock performance units (2)	130	—
Diluted weighted-average shares outstanding (1)(2)	15,250	15,316
Diluted earnings (loss) per share - continuing operations	$ 0.32	$ (0.64)

(1) Includes Common and Class B Common shares, excluding 669 and 360 unvested participating securities, in thousands, for 2021 and 2020, 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 excluded were 4 in 2021 and 281 in 2020.

NOTE 16 - 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 number of shares to be issued is determined by dividing the specified dollar value of the award by the market value per share on the grant date. The Company's stock compensation expense (credit) was $477 in 2021 and $431 in 2020.

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 provides 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. The 2006 Plan was terminated with respect to new awards. 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.

2006 Stock Awards Plan

The Company had a Stock Awards Plan, ("2006 Plan"), as amended, which provided for the issuance of up to 1,800,000 shares of Common Stock and/or Class B Common Stock as stock-based or stock-denominated awards to directors of the Company and to salaried employees of the Company and its participating subsidiaries.

(amounts in thousands, except per share data)

Restricted Stock Awards

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.

On February 1, 2021, the Company issued 22,000 shares of restricted stock to certain key employees. The grant-date fair value of the awards was $86, or $3.89 per share, and is expected to be recognized as stock compensation expense over a weighted-average period of 2.5 years from the date the awards were granted. Each award is subject to a continued service condition. The fair value of each share of restricted stock awarded was equal to the market value of a share of the Company's Common Stock on the grant date.

On March 10, 2021, the Company issued 325,680 shares of restricted stock to certain key employees. The grant-date fair value of the awards was $984, or $3.02 per share, and is expected to be recognized as stock compensation expense over a weighted-average period of 5.3 years from the date the awards were granted. Each award is subject to a continued service condition. The fair value of each share of restricted stock awarded was equal to the market value of a share of the Company's Common Stock on the grant date.

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

	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 28, 2019	461,423	4.30
Granted	131,867	1.00
Vested	(233,639)	3.90
Outstanding at December 26, 2020	359,651	$ 3.35
Granted	387,680	$ 3.11
Vested	(70,509)	$ 1.84
Forfeited	(7,477)	$ 3.40
Outstanding at December 25, 2021	669,345	$ 3.34

As of December 25, 2021, unrecognized compensation cost related to unvested restricted stock was $1,337. That cost is expected to be recognized over a weighted-average period of 6.5 years. The total fair value of shares vested was approximately $243 and $241 during 2021 and 2020, respectively.

Stock Performance Units

The Company's non-employee directors receive 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 is above $5.00 per share; there is no reduction in the number of units issued. However, if the market value at the date of the grants is below $5.00, units will be reduced to reflect the $5.00 per share minimum. Upon retirement, the Company issues 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 25, 2021, 130,320 Stock Performance Units were outstanding under this plan. As of December 25, 2021, there was no unrecognized compensation cost related to Stock Performance Units.

Stock Options

Options granted under the Company's 2006 Plan and the 2016 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 30, 2017, the Company granted 203,000 options with a market condition to certain key employees of the Company at a weighted-average exercise price of $4.30. The grant-date fair value of these options was $306. These options vest over a two-year period and require the Company's stock to trade at or above $7.00 for five consecutive trading days after the two-year period and within five years of issuance to meet the market condition.

(amounts in thousands, except per share data)

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 uses historical exercise behavior data of similar employee groups to determine the expected lives of options.

No options were granted during the years ended December 25, 2021 and December 26, 2020.

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 28, 2019	166,000	4.33	—	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(15,000)	4.17	—	—
Outstanding at December 26, 2020	151,000	4.35	1.40	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(10,000)	4.17	—	—
Outstanding at December 25, 2021	141,000	$ 4.36	0.40	$ —
Options exercisable at:				
December 26, 2020	—	—	—	—
December 25, 2021	—	—	—	—

At December 25, 2021, there was no intrinsic value of outstanding stock options and no intrinsic value of exercisable stock options. At December 25, 2021, there was no unrecognized compensation expense related to unvested stock options.

(amounts in thousands, except per share data)

NOTE 17 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Interest Rate Swaps	Post-Retirement Liabilities	Total
Balance at December 28, 2019	(1,048)	240	(808)
Unrealized gain on interest rate swaps, net of tax of $0	(1,316)	—	(1,316)
Reclassification of loss into earnings from interest rate swaps, net of tax of $343	1,624	—	1,624
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net of tax of $0	—	(27)	(27)
Reclassification of prior service credits into earnings from postretirement benefit plans, net of tax of $0	—	(3)	(3)
Balance at December 26, 2020	$ (740)	$ 210	$ (530)
Unrealized gain on interest rate swaps, net of tax of $0	94	—	94
Reclassification of loss into earnings from interest rate swaps, net of tax of $174	472	—	472
Reclassification of net actuarial gain into earnings from postretirement benefit plans, net of tax of $0	—	(6)	(6)
Reclassification of prior service credits into earnings from postretirement benefit plans, net of tax of $0	—	—	—
Balance at December 25, 2021	**$ (174)**	**$ 204**	**$ 30**

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Commitments

The Company had purchase commitments of $375 at December 25, 2021, primarily related to machinery and equipment. The Company enters into fixed-price contracts with suppliers to purchase natural gas to support certain manufacturing processes in prior years. The Company had no contract purchases in 2021 or 2020. At December 25, 2021, the Company has no commitments to purchase natural gas for 2022.

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.

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 21).

Legal Proceedings

We have been sued, together with 3M Company and approximately 30 other named defendants and unnamed "fictitious defendants" including various carpet manufacturers and suppliers, in four lawsuits whereby the plaintiffs seek monetary damages and injunctive relief related to the manufacture, supply, and/or use of certain chemical products in the manufacture, finishing, and treatment of carpet products in the Dalton, Georgia area. These chemical products allegedly include without limitation perflourinated compounds ("PFC") such as perflourinated acid ("PFOA") and perfluorooctane sulfonate ("PFOS"). In each lawsuit, the plaintiff(s) alleged that, as a consequence of these actions, these chemical compounds have discharged or leached into the water systems around Dalton and then flow into the waters in or near the water bodies from which the plaintiff(s) draw for drinking water.

Two of these lawsuits were filed in Alabama. The first lawsuit in Alabama was filed on September 22, 2016 by The Water Works and Sewer Board of the City of Gadsden (Alabama) in the Circuit Court of Etowah County, Alabama (styled *The Water Works and Sewer Board of the City of Gadsden v. 3M Company, et al.,* Civil Action No. 31-CV-2016-900676.00). The second lawsuit in

(amounts in thousands, except per share data)

Alabama was filed on May 15, 2017 by The Water Works and Sewer Board of the Town of Centre (Alabama) in the Circuit Court of Cherokee County, Alabama (styled *The Water Works and Sewer Board of the Town of Centre v. 3M Company, et al.,* Civil Action No. 13-CV- 2017-900049.00). These lawsuits have been settled upon payment to the plaintiff of a sum deemed to be immaterial. Both lawsuits have been dismissed.

The other two lawsuits were filed in Georgia. The first lawsuit in Georgia was filed on November 19, 2019 by the City of Rome (Georgia) in the Superior Court of Floyd County, Georgia (styled *The City of Rome, Georgia v. 3M Company, et al.,* No. 19CV02405JFL003). The second lawsuit in Georgia was originally filed on November 26, 2019 and is presented as a class action lawsuit by and on behalf of a class of persons who obtain drinking water from the City of Rome, Georgia and the Floyd County Water Department (and similarly situated persons) (generally, for these purposes, residents of Floyd County) (styled *Jarrod Johnson v. 3M Company, et al.,* Civil Action No. 19-CV-02448-JFL-003) (the "Class Action Lawsuit"). On January 10, 2020, the Class Action Lawsuit was removed to the United States District Court for the Northern District of Georgia, Rome Division (styled Jarrod Johnson v. 3M Company, et al Civil Action No. 4:20-CV-0008-AT). We agreed to settle and obtain dismissal of these lawsuits shortly after the end of the third quarter of 2021 upon payment of a sum to the plaintiff in the City of Rome matter. We deem the sum of the settlement to be immaterial to the Company. Delivery of the settlement agreement and dismissal of each of the matters is pending.

NOTE 19 - OTHER (INCOME) EXPENSE, NET

Other operating expense, net is summarized as follows:

	2021	2020 (As Adjusted)
Other operating (income) expense, net:		
(Gain) loss on property, plant and equipment disposals	**$ 210**	$ 41
(Gain) loss on currency exchanges	**211**	(55)
Retirement expenses	**212**	40
Miscellaneous income	**(1,560)**	(134)
Other operating income, net	**$ (927)**	$ (108)

The 2021 miscellaneous income includes an insurance reimbursement in the amount of 1.7 million for the replacement of assets and business interruption loss.

NOTE 20 - FACILITY CONSOLIDATION AND SEVERANCE EXPENSES, NET

2015 Corporate Office Consolidation Plan

In April 2015, the Company's Board of Directors approved the Corporate Office Consolidation Plan, to cover the costs of consolidating three of the Company's existing leased divisional and corporate offices to a single leased facility located in Dalton, Georgia. The Company paid a fee to terminate one of the leased facilities, did not renew a second facility and vacated the third facility. Related to the vacated facility, the Company recorded the estimated costs related to the fulfillment of its contractual lease obligation and on-going facility maintenance, net of an estimate of sub-lease expectations. Accordingly, if the estimates differ, the Company would record an additional charge or benefit, as appropriate. Costs related to the consolidation included the lease termination fee, contractual lease obligations and moving costs. The plan is now substantially complete.

2017 Profit Improvement Plan

During the fourth quarter of 2017, the Company announced a Profit Improvement Plan to improve profitability through lower cost and streamlined decision making and aligning processes to maximize efficiency. The plan included consolidating the management of the Company's two former commercial brands, Atlas Carpet Mills and Masland Contract, under one management team, sharing operations in sales, marketing, product development and manufacturing. Specific to this plan, the Company had focused nearly all commercial solution dyed make-to-order production in its Atmore, Alabama operations where the Company has developed such make-to-order capabilities over the last 5 years. Further, the Company aligned its west coast production facilities, better utilizing its west coast real estate by moving production to its Santa Ana, California and Atmore, Alabama operations to more efficiently distribute its west coast products. Furthermore, the Company re-configured its east coast distribution facilities to provide more efficient distribution of its products. In addition, the Company realized reductions in related support functions such as accounting and information services. The plan is now substantially complete.

(amounts in thousands, except per share data)

2020 COVID-19 Continuity Plan

As the extent of the COVID-19 pandemic became apparent, the Company implemented a continuity plan to maintain the health and safety of associates, preserve cash, and minimize the impact on customers. The response has included restrictions on travel, implementation of telecommuting where appropriate and limiting contact and maintaining social distancing between associates and with customers. In line with demand, running schedules have been reduced for most facilities to one shift while simultaneously reducing inventories to align them with the lower customer demand. Cost reductions have been implemented including cutting non-essential expenditures, reducing capital expenditures, rotating layoffs and furloughs, selected job eliminations and temporary salary reductions. The Company has also deferred new product introductions and reduced sample and marketing expenses for 2020. Initiatives were taken with suppliers, lenders and landlords to extend payment terms in the second quarter for existing agreements. The Company is taking advantage of payment deferrals and credits related to payroll taxes under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act as well as deferring payments into its defined contribution retirement plan. The CARES Act also provides for an employee retention credit, which is a refundable tax credit against certain employment taxes of up to $5 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees, capped at $10 of qualified wages per employee throughout the year. The Company qualified for the tax credit in the second, third and fourth quarters of 2020 and recognized $2,100 in the fourth quarter of 2020, related to the Employee Retention Credit. Of the $2,100 credit, $1,500 million was recorded to Cost of Sales and the remaining $600 was recorded to Selling and Administrative Expenses.

Costs related to the facility consolidation plans are summarized as follows:

					As of December 25, 2021	
	Accrued Balance at December 26, 2020	2021 Expenses (1)	2021 Cash Payments	Accrued Balance at December 25, 2021	Total Costs Incurred to Date	Total Expected Costs
Corporate Office Consolidation Plan	$ —	$ —	$ —	$ —	$ 835	$ 835
Profit Improvement Plan	104	253	357	—	10,525	10,525
COVID-19 Continuity Plan	454	2	378	78	2,533	2,533
Total All Plans	$ 558	$ 255	$ 735	$ 78	$ 13,893	$ 13,893
Asset Impairments	$ —	$ —	$ —	$ —	$ 3,323	$ 3,323

	Accrued Balance at December 28, 2019	2020 Expenses (1)	2020 Cash Payments	Accrued Balance at December 26, 2020
Corporate Office Consolidation Plan	$ 38	6	44	—
Profit Improvement Plan	305	$ 1,376	$ 1,577	104
COVID-19 Continuity Plan	—	$ 2,370	$ 1,916	454
Total All Plans	$ 343	$ 3,752	$ 3,537	$ 558
Asset Impairments	$ —	$ —	$ —	$ —

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

(amounts in thousands, except per share data)

NOTE 21 - 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:

	Fiscal Year	
	2021	**2020 (As Adjusted)**
Workers' compensation costs from former textile operations	**$ (172)**	$ (60)
Environmental remediation costs from former textile operations	**(146)**	(60)
Commercial business operations	**(3,308)**	1,569
Income (Loss) from discontinued operations, before taxes	**$ (3,626)**	$ 1,449
Income tax expense	**(89)**	834
Income (Loss) from discontinued operations, net of tax	**$ (3,537)**	$ 615

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 $1,913 as of December 25, 2021 and $1,924 as of December 26, 2020. 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.

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 for a purchase price of $20,500. The Purchaser also assumed the liability to fulfill the orders represented by advance customer deposit liabilities of $3,127.

The Company retained the Commercial Business' cash deposits, all accounts receivable, and certain inventory and equipment. Additionally, the Company agrees 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 allows for the Company to sell the commercial inventory retained by the company after the divestiture.
At closing, $2,100 of the proceeds were withheld and deposited in escrow to cover any claims arising with respect to the Commercial business for which the Company may be liable. The $2,100 was agreed to be released to the Company (net of claims paid, if any) in two installments with 50% of the escrow paid in 90 days from closing and the remaining amount paid 18 months from the closing date. The Company has received payment of the first installment and, at year end 2021, the remaining unpaid portion of $1,025 is recognized within non-current assets. As of December 25, 2021, the Company has not recognized amounts for potential indemnification settlements as those amounts cannot be reasonably estimated.

In order to release liens on certain fixed assets included in the Asset Purchase Agreement, the Company placed $2,100 in cash collateral in an account with the lender (Greater Nevada Credit Union). The remaining proceeds were applied to the Company's debt with its senior credit facility (Fifth Third Bank).

(amounts in thousands, except per share data)

The gain on the sale of assets is summarized as follows:

Net Proceeds, including escrowed funds	$	20,500	
Inventory, net		(9,195)	
Fixed Assets		(2,278)	
Contract Liabilities		3,127	
Net tangible assets sold		(8,346)	
Gain on sale of assets sold, prior to other transaction related costs		12,154	
Other transaction related costs			
Adjustments to Accruals, Reserves and Allowances		(8,462)	1
Transaction Costs		(1,032)	2
Total other transaction related costs		(9,494)	
Gain on sale of discontinued operations, before tax		2,660	

1) For the remaining retained commercial inventory and fixed assets, the Company recognized adjustment to recognize the effects of the transaction. For inventory, the Company recognized lower of cost or market adjustments of approximately $6,600. The Company's remaining fixed assets will be disposed of by sale and the Company recognized an adjustment of approximately $1,800 to reflect the lower of its carrying value or estimated fair value less cost to sell. For these assets, the Company has suspended the associated depreciation and will recognize changes in the fair value less cost to sell as gains or losses in future periods until the date of sale.

2) Transaction costs were legal expenses and involuntary employee termination costs related to one-time benefit arrangements.

The Company reclassified the following assets and liabilities for discontinued operations in the accompanying consolidated balance sheets:

	As of			
	December 25, 2021		December 26, 2020	
Current Assets of Discontinued Operations:				
Receivables, net	$	3,406	$	5,648
Inventories, net		1,927		17,499
Prepaid expenses		658		317
Current Assets Held for Discontinued Operations		**5,991**		**23,464**
Long Term Assets of Discontinued Operations:				
Property, plant and equipment, net		292		4,999
Operating lease right of use assets		242		923
Other assets		2,218		2,584
Long Term Assets Held for Discontinued Operations		**2,752**		**8,506**
Current Liabilities of Discontinued Operations:				
Accounts payable		2,133		3,952

(amounts in thousands, except per share data)

Accrued expenses		3,062		7,316
Current portion of operating lease liabilities		167		234
Current Liabilities Held for Discontinued Operations		**5,362**		**11,502**
Long Term Liabilities of Discontinued Operations				
Operating lease liabilities		75		774
Other long term liabilities		4,413		5,534
Long Term Liabilities Held for Discontinued Operations	**$**	**4,488**	**$**	**6,308**

For the twelve months ended December 25, 2021 and December 26, 2020, the Company reclassified the following operations of the Commercial business included in discontinued operations in the accompanying consolidated statements of operations:

	Twelve Months Ended			
	December 25, 2021		December 26, 2020	
Net Sales	**$**	**48,070**	**$**	**65,070**
Cost of sales		40,904		45,945
Gross Profit		**7,166**		**19,125**
Selling and administrative expenses		13,134		17,556
Discontinued Income (Loss), related to the divestiture of the Commercial business		**(5,968)**		**1,569**
Gain on sale of business		(2,660)		—
Income (Loss) from Discontinued Commercial Operations before Taxes		**(3,308)**		**1,569**

As a result of the liquidation of inventory sold as part of the divestiture of its Commercial operations, the company recognized a liquidation of LIFO inventories carried at prevailing costs established in prior years and decreased the cost within Discontinued Operations in the amount of $3,174.

The Company and the Purchaser simultaneously entered into a transition services agreement pursuant to which the Company assisted Mannington in transitioning the AtlasMasland business to Mannington, by, among other things, assisting in filling open orders and completing the manufacture of work in progress that resulted in a temporary continued involvement in the Commercial Business until approximately December 31, 2021. The Company has shown the results of these operations as a component of discontinued operations.

NOTE 22 - RELATED PARTY TRANSACTIONS

The Company purchases a portion of its product needs in the form of fiber, yarn and carpet from Engineered Floors, an entity substantially controlled by Robert E. Shaw, a shareholder of the Company. An affiliate of Mr. Shaw holds approximately 7.6% of the Company's Common Stock, which represents approximately 3.2% of the total vote of all classes of the Company's Common Stock. Engineered Floors is one of several suppliers of such materials to the Company. Total purchases from Engineered Floors for 2021 and 2020 were approximately $3,875 and $4,500 respectively; or approximately 1.4% and 2.3% of the Company's cost of goods sold in 2021 and 2020, respectively. Purchases from Engineered Floors are based on market value, negotiated prices. The Company has no contractual commitments with Mr. Shaw associated with its business relationship with Engineered Floors. Transactions with Engineered Floors are reviewed annually by the Company's board of directors.

The Company was a party to a ten-year lease with the Rothman Family Partnership to lease a facility as part of the Robertex acquisition in 2013. The controlling principle of the lessor was an associate of the Company until June 30, 2018. Rent paid to the lessor during 2021 and 2020 was $196 and $289, respectively. The lease was based on current market values for similar facilities. This lease was terminated on August 31, 2021.

NOTE 23 - SUBSEQUENT EVENT

On March 16, 2022, the Company entered into a loan agreement with RGA Reinsurance Company, LLC to refinance its industrial facility in Adairsville, Georgia (the “Property”). The loan agreement was for $11 million at an annual fixed interest rate of 3.81% with a repayment schedule of 20 years.The existing balance of prior loans, with First Horizon Bank, which were tied to the Property in the total amount of $5.4 million were paid off and those loans were terminated at closing.

The prior loans with First Horizon Bank were tied to a SWAP Contract. This SWAP Contract was terminated at closing of the new loan. The termination fee for the SWAP was $72. The balance in accumulated other comprehensive income and loss related to the SWAP at December 25, 2021 was $172 net of tax.

Item 15(a)(2)

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

				(As Adjusted)						
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 25, 2021:										
Reserves deducted from asset accounts:										
Allowance for doubtful accounts	$	92	$	46	$	—	$	30	(1)	$	108
Reserves classified as liabilities:										
Provision for claims, allowances and warranties		3,504		6,027		—		5,820	—		3,711
Year ended December 26, 2020:										
Reserves deducted from asset accounts:										
Allowance for doubtful accounts	$	161	$	39	$	—	$	108	(1)	$	92
Reserves classified as liabilities:										
Provision for claims, allowances and warranties		3,402		5,732		—		5,630	—		3,504

(1) Uncollectible accounts written off, net of recoveries. The Allowance for Doubtful Accounts is included in Receivables, net on the Consolidated Balance Sheet. See Footnote 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 Footnote 7 - Accrued Expenses.

ANNUAL REPORT ON FORM 10-K

ITEM 15(b)

EXHIBITS

YEAR ENDED DECEMBER 26, 2020

THE DIXIE GROUP, INC.

DALTON, GEORGIA

Exhibit Index

EXHIBIT NO.	DESCRIPTION
(1.1)*	Underwriting Agreement for 2,500,000 Shares of The Dixie Group, Inc. (Incorporated by reference to Exhibit (1.1) to Dixie's Current Report on Form 8-K dated May 20, 2014.)
(2.1)*	Securities Purchase Agreement between Masland Carpets, LLC and Robert P. Rothman dated as of June 30, 2013. (Incorporated by reference to Exhibit (2.1) to Dixie's Current Report on Form 8-K dated June 30, 2013.)
(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)*	Form of Award of Career Shares under the 2006 Incentive Compensation Plan for Participants holding only shares of the Company's Common Stock. (Incorporated by reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated June 6, 2006.)**
(10.3)*	Form of Award of Career Shares under the 2006 Incentive Compensation Plan for Participants holding shares of the Company's Class B Common Stock. (Incorporated by reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated June 6, 2006.)**
(10.4)*	Form of Award of Long Term Incentive Plan Shares under the 2006 Incentive Compensation Plan for Participants holding only shares of the Company's Common Stock. (Incorporated by reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated June 6, 2006.)**
(10.5)*	Form of Award of Long Term Incentive Plan Shares under the 2006 Incentive Compensation Plan for Participants holding shares of the Company's Class B Common Stock. (Incorporated by reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated June 6, 2006.)**
(10.6)*	Form of LTIP award (B shareholder). (Incorporated by reference to Exhibit (10.2) to Dixie's Current Report on Form 8-K dated March 13, 2015.)**
(10.7)*	Form of LTIP award (common only). (Incorporated by reference to Exhibit (10.3) to Dixie's Current Report on Form 8-K dated March 13, 2015.)**
(10.8)*	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, 2015.)**
(10.9)*	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, 2015.)**
(10.10)*	Form of Retention Grant (Service Condition only). (Incorporated by reference to Exhibit (10.6) to Dixie's Current Report on Form 8-K dated March 13, 2015.)**
(10.11)*	Form of Retention Grant (Performance Condition and Service Condition). (Incorporated by reference to Exhibit (10.7) to Dixie's Current Report on Form 8-K dated March 13, 2015.)**
(10.12)*	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.)
(10.13)*	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.)
(10.14)*	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.)
(10.15)*	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.)**
(10.16)*	Summary of Incentive Plan for 2016. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**

(10.17)*	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.)**
(10.18)*	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.)**
(10.19)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**
(10.20)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 11, 2016.)**
(10.21)*	Form of Stock Option Agreement - Common Stock - 2016 Stock Plan. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated May 31, 2017.)**
(10.22)*	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.)**
(10.23)*	Royalty Carpet Mills Lease for Porterville, California Facility. (Incorporated by Reference to Exhibit (10.78) to Dixie's Current Report on Form 10-K dated March 13, 2018.)
(10.24)*	Summary of Incentive Plan for 2018. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.25)*	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.)**
(10.26)*	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.)**
(10.27)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.28)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 9, 2018.)**
(10.29)*	Summary of Incentive Plan for 2019. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.30)*	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.)**
(10.31)*	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.)**
(10.32)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.33)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 8, 2019.)**
(10.34)*	Stock Repurchase Plan, pursuant to Securities and Exchange Act Rule 10b5-1. (Incorporated by Reference to Dixie's Current Report on Form 8-K dated August 28, 2019.)
(10.35)*	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.)
(10.36)*	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.)
(10.37)*	Summary of Incentive Plan for 2020. (Incorporated by Reference to Exhibit (10.1) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**
(10.38)*	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.)**
(10.39)*	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.)**
(10.40)*	Career Shares B Shareholder. (Incorporated by Reference to Exhibit (10.4) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**
(10.41)*	Career Shares Common. (Incorporated by Reference to Exhibit (10.5) to Dixie's Current Report on Form 8-K dated March 13, 2020.)**
(10.42)*	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.)
(10.43)*	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.)

(10.44)*	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.)
(10.45)*	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.)
(10.46)*	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.)
(10.47)*	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.)
(10.48)*	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.)
(10.49)*	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.)
(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 Ernst & Young LLP regarding change in certifying accountant. (Incorporated by reference to Exhibit 16 to Dixie's Form 8-K dated November 15, 2013.)
(21)	Subsidiaries of the Registrant. (Filed herewith.)
(23)	Consent of Dixon Hughes Goodman 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.)
(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.

EXHIBIT 21

SUBSIDIARIES OF THE DIXIE GROUP, INC.

SUBSIDIARY	STATE/COUNTRY OF INCORPORATION
TDG Operations, LLC	GA

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-8 No 333-134779) pertaining to The Dixie Group, Inc. 2006 Stock Awards Plan,
- Registration Statement (Form S-8 No 333-89994) pertaining to The Dixie Group, Inc. Stock Incentive Plan,
- Registration Statement (Form S-8 No 333-87534) pertaining to The Dixie Group, Inc. Stock Incentive Plan,
- Registration Statement (Form S-8 No 333-81163) pertaining to The Dixie Group, Inc. Incentive Stock Plan,
- Registration Statement (Form S-8 No 333-80971) pertaining to The Dixie Group, Inc. Core Leadership Team Stock Ownership Plan,
- Registration Statement (Form S-8 No 333-118504) pertaining to The Dixie Group, Inc. Directors Stock Plan,
- Registration Statement (Form S-8 No 333-168412) pertaining to The Dixie Group, Inc. Amended and Restated 2006 Stock Awards Plan,
- Registration Statement (Form S-8 No 333-188321) pertaining to The Dixie Group, Inc. Amended and Restated 2006 Stock Awards Plan,
- Registration Statement (Form S-3 No 333-194571) of The Dixie Group, Inc. pertaining to the offering 2,500,000 shares of common stock, and
- Registration Statement (Form S-8 No 333-211157) pertaining to The Dixie Group, Inc. 2016 Incentive Compensation Plan;
- Registration Statement (Form S-8 No 333-239208) pertaining to The Dixie Group, Inc. 2016 Incentive Compensation Plan;

of our report dated March 23, 2022, with respect to the consolidated financial statements and schedule
of The Dixie Group, Inc. included in this Annual Report (Form 10-K) for the year ended December 25, 2021.

/s/ Dixon Hughes Goodman LLP

Atlanta, Georgia
March 23, 2022

EXHIBIT 31.1

Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel K. Frierson, certify that:

I have reviewed this annual report on Form 10-K of The Dixie Group, Inc.;

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 23, 2022

/s/ **DANIEL K. FRIERSON**

Daniel K. Frierson
Chief Executive Officer
The Dixie Group, Inc.

EXHIBIT 31.2

Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Allen L. Danzey, certify that:

I have reviewed this annual report on Form 10-K of The Dixie Group, Inc.;

1. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 23, 2022

/s/ **ALLEN L. DANZEY**

Allen L. Danzey
Chief Financial Officer
The Dixie Group, Inc.

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Dixie Group, Inc. (the "Company") on Form 10-K for the year ended December 25, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel K. Frierson, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ **DANIEL K. FRIERSON**

Daniel K. Frierson, Chief Executive Officer
Date: March 23, 2022

A signed original of this written statement required by Section 906 has been provided to The Dixie Group, Inc. and will be retained by The Dixie Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Dixie Group, Inc. (the "Company") on Form 10-K for the year ended December 25, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen L. Danzey, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ **ALLEN L. DANZEY**

Allen L. Danzey, Chief Financial Officer
Date: March 23, 2022

A signed original of this written statement required by Section 906 has been provided to The Dixie Group, Inc. and will be retained by The Dixie Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.