FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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CAROLINA FREIGHT CORP
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 18, 1994   Commission File Number 1-8441

CAROLINA FREIGHT CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina	56-1349996
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)

Highway 150 East, Cherryville, N. C.	28021
(Address of principal executive offices)	(Zip Code)

Registrant`s telephone number, including area code (704) 435-6811

No Changes

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common Stock, $.50 par value	6,561,672
Class	Outstanding at June 18, 1994

CAROLINA FREIGHT CORPORATION

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PART 1: ITEM 1. FINANCIAL INFORMATION

CAROLINA FREIGHT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
Twelve and Twenty-four Weeks Ended June 18, 1994 and June 19, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

(Dollars in thousands except per share amounts)

	Twelve Weeks Ended		Twenty-four Weeks Ended	
	June 18, 1994	June 19, 1993	June 18, 1994	June 19, 1993
<S>	<C>	<C>	<C>	<C>
Operating revenue	$263,203	$196,773	$455,833	$384,104
Operating expenses:				
Employee compensation	148,916	125,780	271,607	244,963
Purchased transportation	39,428	23,357	62,068	43,787
Fuel and fuel taxes	11,728	10,122	22,399	19,879
Tires, repair parts and other operating supplies	10,945	9,033	20,576	17,707
Depreciation and amortization	8,080	7,801	16,189	16,149
Insurance premiums and claims	7,351	5,157	12,957	10,968
Communications and utilities	2,906	2,484	5,647	5,120
Operating taxes and licenses	2,877	2,836	5,638	5,544
Equipment and building rents	1,303	1,187	2,535	2,327
Gain on disposition of operating assets	(97)	(432)	(148)	(451)
General supplies and expenses	10,792	8,045	19,313	15,351
Total operating expenses	244,229	195,370	438,781	381,344
Earnings from operations	18,974	1,403	17,052	2,760
Interest and other expense, net	2,933	2,274	5,336	4,287
Earnings (Loss) before income taxes	16,041	(871)	11,716	(1,527)
Income tax provision (benefit)	6,401	(323)	4,994	(589)
Net earnings (loss) before cumulative effect of change in accounting principle	9,640	(548)	6,722	(938)
Cumulative effect of change in accounting principle	-	-	(1,222)	-
Net earnings (loss)	$9,640	($548)	$5,500	($938)
Earnings (Loss) per share before cumulative effect of change in accounting principle				
Primary	$1.46	($0.09)	$1.02	($0.15)
Fully Diluted	1.32	(0.09)	0.99	(0.15)
Cumulative effect of change in accounting principle				
Primary	-	-	($0.19)	-
Fully Diluted	-	-	(0.16)	-
Earnings (Loss) per share				
Primary	$1.46	($0.09)	$0.83	($0.15)
Fully Diluted	1.32	(0.09)	0.83	(0.15)

Average common stock and common stock equivalent shares outstanding				
Primary	6,561,672	6,561,672	6,561,702	6,561,672
Fully Diluted	7,614,177	6,561,672	7,614,177	6,561,672
Cash dividends per common share	$0.00	$0.05	$0.00	$0.10

</TABLE>

CAROLINA FREIGHT CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

<TABLE>
<CAPTION>

<S>	(UNAUDITED) June 18, 1994 <C>	(AUDITED) December 31, 1993 <C>
Assets		
Current assets:		
Cash	$ 10,866	$ 6,502
Temporary investments (at cost, which approximates market)	18,171	10,169
Customer and interline receivables, net	11,039	10,091
Customer receivables held by trust, net	64,835	35,787
Other receivables, net	8,221	6,985
Reinsurance balances receivable	12,469	13,815
Prepayments -		
Tires on equipment in use	13,396	13,632
Other	10,370	5,755
Inventories of operating supplies	2,977	2,869
Total current assets	152,344	105,605
Plant and equipment, at cost:		
Revenue and service equipment	270,250	267,112
Land and structures	180,913	179,220
Other equipment	59,417	57,356
Leasehold improvements	1,520	1,512
	512,100	505,200
Less - accumulated depreciation and amortization	(272,402)	(258,772)
Net plant and equipment	239,698	246,428
Other assets	13,078	11,905
	$ 405,120	$ 363,938

</TABLE>

CAROLINA FREIGHT CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

<TABLE>
<CAPTION>

(UNAUDITED)	(AUDITED)
June 18,	December 31,

	1994	1993
<S>	<C>	<C>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 51,818	$ 33,266
Accrued wages, salaries and vacation pay	42,009	34,191
Claims and insurance accruals	44,932	33,084
Income taxes		
Current	10,222	522
Deferred	0	-
Other payables and accrued expenses	13,320	11,496
Current maturities of long-term debt	2,830	5,494
Total current liabilities	165,131	118,053
Long-term debt:		
6 1/4% Convertible Subordinated Debentures, due 2011	49,994	49,994
Other long-term debt	19,750	21,182
Total long-term debt	69,744	71,176
Reserves and Deferred Credits:		
Income taxes	9,249	15,168
Other deferred liabilities	8,502	8,211
Insurance claims	25,359	29,718
Total reserves and deferred credits	43,110	53,097
Stockholders' equity:		
Preferred stock, $100 par value, 4% cumulative, authorized 25,000 shares, outstanding 22,112 shares	2,211	2,211
Common stock, $.50 par value, authorized 20,000,000 shares, outstanding 6,561,672 in 1994 and 1993	3,281	3,281
Paid-in capital	44,349	44,349
Retained earnings	77,294	71,771
Total stockholders' equity	127,135	121,612
	$405,120	$363,938

</TABLE>

CAROLINA FREIGHT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Twenty-four Weeks Ended June 18, 1994 and June 19, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

	(Dollars in Thousands) Twenty-four Weeks Ended	
	June 18, 1994	June 19, 1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	$ 5,500	($938)
Noncash items included in income:		
Depreciation and amortization	16,189	16,149
Deferred income taxes	(5,919)	(1,292)
Increase in customer and interline receivables	(29,996)	(13,201)
Increase (Decrease) in accounts payable	18,552	(483)
Increase (Decrease) in claims payable and insurance accruals	7,489	72
Net increase (decrease) in other working capital items	14,965	1,799
Other, net	(4,068)	(980)

Net cash provided by (used for) operating activities	22,712	1,126
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of plant and equipment:		
Revenue and service equipment	(5,259)	(11,257)
Land and structures	(1,072)	(2,513)
Other equipment and leasehold improvements	(1,343)	(1,622)
Proceeds from disposal of plant and equipment	1,469	5,818
Net cash used for investing activities	(6,205)	(9,574)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	15	65
Repayment of long-term debt	(4,112)	(2,512)
Net proceeds from revolving credit agreements	-	10,500
Common stock issued	-	-
Dividends on common and preferred stock	(44)	(700)
Net cash provided by financing activities	(4,141)	7,353
NET INCREASE IN CASH AND TEMPORARY INVESTMENTS	12,366	(1,095)
CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF YEAR	16,671	17,696
CASH AND TEMPORARY INVESTMENTS AT END OF QUARTER	$ 29,037	$ 16,601

</TABLE>

CAROLINA FREIGHT CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The accompanying consolidated condensed financial statements contain all adjustments and eliminations which, in the opinion of management, are necessary to present fairly the results of operations for the twelve weeks and twenty-four weeks ended June 18, 1994 and June 19, 1993, the financial position as of June 18, 1994 and December 31, 1993, and the cash flows for the twenty-four weeks ended June 18, 1994 and June 19, 1993.

During the first quarter of 1994, the Securities and Exchange Commission issued a new directive to publicly held corporations regarding the discount rates used on reserves reported in the liabilities section of their balance sheets. This directive requires that the discount rates used to reduce these obligations to their present value be stated at a "risk free" rate. The effect of this change is to reduce the discount rates used in computing the reserves on the consolidated balance sheet of Carolina Freight Corporation from 7% to risk free rates. The effect of this change is shown as a change in accounting principle of $1,222,000 on the consolidated statement of earnings.

PART I: ITEM 2. FINANCIAL INFORMATION

CAROLINA FREIGHT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Revenue for the second quarter ended June 18, 1994 increased 33.8% to $263,203,000 compared with revenue of $196,773,000 in the second quarter of 1993. Net earnings were $9,640,000, or $1.46 per share, compared with a net loss of $548,000, or $.09 per share, during the same period in 1993.

Revenue for the twenty-four weeks ended June 18, 1994 was $455,833,000, an increase of 18.7% over the comparable period of 1993. Net earnings were $5,500,000 compared with a net loss of $938,000 in the first half of 1993. The Company's fiscal year consists of three 12-week quarters and a final 16-week quarter.

The results of the second quarter were enhanced by the strike called by the International Brotherhood of Teamsters (IBT) against members of Trucking Management, Inc. (TMI) whose membership includes the four largest competitors of Carolina Freight Carriers Corporation (CFCC). The strike began April 6 and ended April 28, 1994. CFCC, the Company's largest less-than-truckload (LTL) operation and also a member of TMI, was excluded from the strike action when it signed an interim agreement to abide by the final contract between TMI and the IBT. As a result of that agreement, CFCC continued to operate during the strike. CFCC experienced substantial increases in shipment and tonnage volumes during the strike period over levels of the prior year. In addition, G.I. Trucking Company, the west coast LTL carrier of the Company, experienced similar levels of volume growth. The preponderance of volume increases came from existing customers of each company.

The estimated impact of the strike-related volume gains on consolidated net earnings is approximately $8,504,000, or $1.30 per share. More recently, business in the LTL subsidiaries has returned to levels that are slightly below those of the prior year.

The results for the Company's other operating subsidiaries - Cardinal Freight Carriers, CaroTrans International, and The Complete Logistics Company - continued to progress at a strong pace equal to or above the Company's projections. Their results for the second quarter were largely unaffected by the Teamsters' strike.

At the end of the second quarter, the Company's total long-term debt was $69,744,000 compared to $71,176,000 at the end of 1993. The debt reduction occurred as a result of improved cash

flow during the second quarter of this year. It is important to note that the remaining debt for the Corporation consists primarily of obligations with a fixed term ranging from three years to seventeen years with interest rates ranging from 3.5% to 6.25%. This debt reduction, coupled with the Company's new revolving credit facility entered into on March 17, 1994, provides a stable financial foundation from which the various operating companies can grow.

CFCC continues to pursue programs announced in the first quarter to improve operating results. These actions consist of:

- A new terminal load plan.
- A computerized dock/yard tracking system.
- Decentralization of operations management.
- The conversion of its linehaul tractor fleet from a 7-year trade cycle to a 4-year trade cycle.

These actions will be the focus of CFCC's management for the remainder of the year.

At the May 4, 1994 Board of Directors' meeting, Lary R. Scott, Chief Executive Officer of Carolina Freight Corporation, was elected to the additional position of Chairman of the Board. He succeeds Kenneth G. Younger, Jr., who will continue to serve as a member of the Board of Directors.

The management team continues to implement the actions they believe are necessary to continue the improvement within the core business - LTL freight transportation. At the same time, management is eager to provide opportunities for substantial and profitable growth in the other operating subsidiaries.

The total number of service centers for the consolidated group at the end of the quarter was 226.

Liquidity and Capital Resources

Net working capital at June 18, 1994 was a negative $12.8 million and at December 31, 1993 was a negative $12.4 million. Cash and cash equivalents were $29 million at June 18, 1994 and $16.7 million at December 31, 1993.

In December 1993 the Corporation entered into an agreement to sell, on a revolving basis, a $60 million ownership interest in a designated pool of its customer receivables. The pool of receivables eligible for sale is held by a trust in which the Corporation retains the residual ownership interest. The agreement for this revolving sale of receivables expires in December 2000.

On March 17, 1994, the Carolina Freight Carriers Corporation (CFCC) and Red Arrow Freight Lines entered into a new $45 million revolving credit and letter of credit agreement with a group of banks. Under this agreement, which currently provides approximately $18 million of revolving line of credit availability, $27 million of letters of credit and expires June 30, 1996, substantially all revenue and service equipment, $45.8 million of land and structures and the Corporation's customer receivables held by trust, are pledged as collateral. This agreement and existing agreements contain restrictions regarding the maintenance of specified debt, tangible net worth, and cash flow ratios. The interest rate for borrowings under this agreement will be, at the Corporation's option, the lead bank's base rate or another variable rate which fluctuates (in part) based on changes in certain financial ratios of the Corporation. This agreement states that the occurrence of a material adverse change in the Corporation's financial condition, as determined by the participating banks, is an event of default. If an event of default occurs, then the lenders may declare the outstanding borrowings under the agreement, certain other debt, and all interest thereon to be due and payable. No revolving credit was outstanding at June 18, 1994 and at December 31, 1993.

Capital expenditures (net of proceeds from disposal of operating property) through the second quarter of 1994 were $6.2 million compared with $9.6 million in the prior year period. Planned 1994 capital expenditures are approximately $17.0 million. It is anticipated that approximately $9.6 million will be expended on revenue and service equipment, $2.7 million on terminal construction and renovation, and $4.7 million for office, computer, and terminal equipment.

Capital expenditures (net of proceeds from disposal of operating property) during 1993 were $15.8 million. Of this amount, $17.3 million was expended for revenue and service equipment, $4.7 million for acquisition, construction, and renovation of land and buildings and $7.3 million for office, shop, and terminal equipment. Capital expenditures were financed through internally generated funds and borrowings under the terms of the revolving credit agreement.

Management anticipates that 1994 capital expenditures and other working capital requirements will be financed through internally generated funds and borrowings under the revolving credit agreement. Management does not anticipate that the maximum borrowing level under the revolving credit agreement will be exceeded in 1994.

The long-term debt-to-equity ratio of the Corporation at June 18, 1994 was 54.9% compared with 58.5% at December 31, 1993.

The Board of Directors suspended payment of the dividend on common stock of the Company on January 10, 1994.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings None

There are not now pending any material legal proceedings, other than ordinary routine litigation incident to its business, to which the Company or its subsidiaries are a party or to which any of their property is subject. During the second quarter of 1994, no material litigation or governmental proceeding was instituted or pending against the Company or its subsidiaries arising from any alleged violation of any emission control standards or other environmental regulations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Registrant did not file, nor was it required to file, with the Commission in respect of any period in the quarter ended June 18, 1994, a report on Form 8-K.

SIGNATURES

Pursuant to the requirements 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.

CAROLINA FREIGHT CORPORATION
(Registrant)

DATE July 27, 1994 BY /s/ Lary R. Scott
- --------------------------- -------------------------------------

Lary R. Scott
Chairman and CEO

DATE July 27, 1994 BY /s/ Shawn W. Poole
- --------------------------- ------------------------------------

Shawn W. Poole
Vice President and CFO