
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 March 28, 2004

OR



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-7604

Crown Crafts, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

58-0678148

(I.R.S. Employer Identification No.)

**916 S. Burnside Ave.
Gonzales, Louisiana**

(Address of principal executive offices)

70737

(Zip Code)

Registrant's Telephone Number, including area code:

(225) 647-9100

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

Title of class

Name of exchange on which registered

Common Stock, \$0.01 par value
Common Share Purchase Rights

OTC Bulletin Board
OTC Bulletin Board

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

None

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 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 registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of September 28, 2003, 9,504,937 shares of Common Stock were outstanding, and the aggregate market value of the Common Stock (based upon the closing price of these shares on that date) held by persons other than Officers, Directors, and 5% shareholders was approximately \$3,727,011.

As of June 1, 2004, 9,504,937 shares of the Company's Common Stock were outstanding.

Documents Incorporated by Reference:

Crown Crafts, Inc. Proxy Statement in connection with its 2004 Annual Meeting of Shareholders (Part III hereof).

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PART I

Item 1. *Business*

Crown Crafts, Inc. is a Delaware corporation as a result of the Company's reincorporation in Delaware completed in 2003. The Company was originally formed as a Georgia corporation in 1957. The Company operates indirectly through its subsidiaries (Hamco, Inc.; Churchill Weavers, Inc.; Crown Crafts Infant Products, Inc. and, previously, Burgundy Interamericana) in the Infant Products segment within the Consumer Products industry. The Infant Products segment consists of infant bedding, bibs, soft goods and accessories. Sales are generally made directly to retailers, primarily mass merchants, large chain stores and gift stores. These products are marketed under a variety of Company-owned trademarks, under trademarks licensed from others, without trademarks as unbranded merchandise and with customers' private labels.

In response to changing business conditions in the consumer products industry, the Company made significant changes in its business operations over the last four years. In addition to a program of cost reductions and rationalization, the Company outsourced virtually all of its manufacturing to domestic and foreign contract manufacturers, with the exception of the specialty hand wovens produced by Churchill Weavers and, until recently, screen-printed infant bibs produced by Burgundy in Mexico. The Woven Products division, with manufacturing primarily in north Georgia, was sold on November 14, 2000 and net proceeds of \$32.3 million were used to reduce debt. Following the outsourcing of adult bedding and bath, the Roxboro, North Carolina plant was sold on June 14, 2001 and the proceeds of \$8.0 million were used to reduce debt. Also, the Company made a decision to exit the adult bedding and bath business, and its net assets related to that business of \$12.4 million were sold effective July 23, 2001. Proceeds of the sale were \$8.5 million cash plus the assumption of liabilities of \$3.4 million as well as the assumption of certain contingent liabilities. Cash from the sale was used to reduce debt. After that sale, the Company has operated primarily in the infant and juvenile products business, but in describing the results of operations for fiscal 2002, reference is made to all of the product groups. Because of the sale of assets and the refinancing that occurred July 23, 2001, the Company's historical results for fiscal 2002 and prior are not indicative of the Company's future operations.

In December 2002, the Company adopted a formal plan to change its sourcing strategy for certain products and close the Mexican manufacturing facility operated by Burgundy. This decision was based on extensive research by management which indicated that, due to lower wages and the elimination of certain governmental quotas on the importation of bibs, outsourcing the supply of products then being manufactured by Burgundy to Asian manufacturers was more cost-effective and competitive than maintaining operations in Mexico. Under the plan, Burgundy continued to operate through the first quarter of fiscal 2004, at which time the Company began to liquidate Burgundy's assets. As a result of the decision of the Company to discontinue its Mexican operations, the Company recorded a \$1.8 million restructuring charge to operations in the quarter ended December 29, 2002, which consisted primarily of a write-down of the property and equipment at the Mexican facility of approximately \$800,000, inventory items deemed to be in excess of production requirements of approximately \$600,000, an accrual for contractual termination benefits of approximately \$300,000 due Burgundy's entire workforce (approximately 130 employees) under the provisions of Mexico's labor regulations and the write-off of goodwill of approximately \$60,000. The Company paid approximately \$189,000 of the severance benefits in the first quarter of fiscal 2004 and paid the remainder through October 2003. The Company continued to charge the ongoing operating costs associated with Burgundy's production in the period in which the costs were incurred. The Company incurred a loss of approximately \$85,000 related to the operation and closure of this facility for the three-month period ended June 29, 2003, at which time the closure was complete.

Products

The Company's primary focus is on infant and juvenile products. Infant products include crib bedding, diaper stackers, mobiles, bibs, receiving blankets, burp cloths, bathing accessories and other infant soft goods and accessories. The Company also produces hand-woven throws for infants and adults, which are manufactured and imported in a variety of colors, designs and fabrics, including cotton, acrylic, cotton/acrylic blends, rayon, wool, fleece and chenille.

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Historically, the company's products also included two additional groups: 1) bedroom and bath products and 2) imported and jacquard woven throws. Bedroom products included comforters, comforter sets, sheets, pillowcases, sheet sets, pillow shams, bed skirts, duvets, decorative pillows, coverlets and jacquard-woven bedspreads.

The table below indicates the allocation of sales of the Company's products.

	Fiscal Year		
	2004	2003	2002
Infant and Juvenile Products	97%	97%	80%
Throws	3%	3%	3%
Bedroom and Bath Products	0%	0%	17%

Product Design and Styling

Research and development expenditures focus primarily on product design and styling. The Company believes styling and design are key components to its success. The Company's designers and stylists work closely with the marketing staff and licensors to develop new designs. These designs, which are developed internally and obtained from numerous additional sources, including graphic artists, decorative fabric manufacturers, apparel designers and employees, include traditional, contemporary, textured and whimsical patterns across a broad spectrum of retail price points. The Company is continually developing new designs for all of its product groups using computer-aided-design systems to increase design flexibility, reduce costs and shorten the time for responding to customer demands and changing market trends. The Company also creates designs for exclusive sale by certain of its customers.

Sales and Marketing, Customers

Products are marketed through a national sales force consisting of salaried sales executives and employees and independent commissioned sales representatives. Independent representatives are used most significantly in sales to the gift trade and infant markets. Sales outside the United States are made primarily through distributors.

The Company's customers consist principally of mass merchants, chain stores, department stores, specialty home furnishings stores, wholesale clubs, gift stores and catalogue and direct mail houses. The table below indicates customers representing more than 10% of gross sales.

	Fiscal Year		
	2004	2003	2002
Toys R Us	36%	31%	26%
Wal-Mart Stores, Inc.	27%	30%	22%
Target Corporation	12%	10%	*

* Less than 10%.

The Company's sales offices are located in Huntington Beach, California; Gonzales, Louisiana; Berea, Kentucky and Rogers, Arkansas. Substantially all products are sold to retailers for resale to consumers. The Company's infant product subsidiaries generally introduce new products once each year during the annual Juvenile Products Manufacturers' Association ("JPMA") trade show. Private label products are introduced throughout the year. New product introductions for the gift trade are concentrated in January through March and June through August when Churchill Weavers participates in numerous local and regional gift shows.

In fiscal 2004, approximately 1% of the Company's gross sales were made through its retail store in Berea, Kentucky. Stores in Calhoun, Georgia and Rancho Santa Margarita, California were closed in fiscal 2001 and a store in Roxboro, North Carolina was sold in fiscal 2002.

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Manufacturing

The Company's infant products are produced primarily by domestic and foreign contract manufacturers. These products are then warehoused and shipped from facilities in Compton, California and Gonzales, Louisiana.

Raw Materials

The principal raw materials used in the manufacture of infant comforters, sheets and accessories are printed and solid color cotton and polycotton fabrics, with polyester fibers used as filling material. The principal raw materials used in the manufacture of throws and other products are natural-color and pre-dyed 100% cotton yarns, rayon yarns and acrylic yarns. The principal raw materials used in the production of infant bibs are knit-terry polycotton, woven polycotton and vinyl fabrics. Although the Company usually maintains supply relationships with only a limited number of suppliers, the Company believes these raw materials presently are available from several sources in quantities sufficient to meet the Company's requirements.

The Company uses significant quantities of cotton, either in the form of cotton fabric or polycotton fabric. Cotton is subject to ongoing price fluctuations. The price fluctuations are a result of cotton being an agricultural product subject to weather patterns, disease and other factors as well as supply and demand considerations, both domestically and internationally. Significant increases in the price of cotton could adversely affect the Company's operations.

Seasonality, Inventory Management

Historically, the Company has experienced a seasonal sales pattern, in which sales are lowest in the first fiscal quarter. In fiscal 2004, sales peaked in the fourth fiscal quarter and in fiscal 2002 and 2003, sales peaked in the second fiscal quarter.

The Company carries normal inventory levels to meet delivery requirements of customers. Customer returns of merchandise shipped are historically approximately 0.6% of gross sales.

Order Backlog

Management estimates the backlog of unfilled customer orders were \$4.4 million and \$3.4 million at March 28, 2004 and March 30, 2003, respectively. The majority of these unfilled orders are shipped within approximately eight weeks, and none are expected to be shipped beyond the completion of the fiscal year ending March 27, 2005. Due to the prevalence of quick-ship programs adopted by its customers, the Company does not believe that its backlogs are a meaningful indicator of future business.

Trademarks, Copyrights and Patents

The Company considers its trademarks to be of material importance to its business. Products are marketed in part under well-known trademarks such as Red Calliope®, Cuddle Me®, NoJo®, Hamco®, Pinky Baby® and Churchill Weavers®. Protection for these trademarks is obtained through domestic and foreign registrations.

Certain products are manufactured and sold pursuant to licensing agreements for trademarks that include, among others, Disney®. The licensing agreements for the Company's designer brands generally are for an initial term of one to five years, and may or may not be subject to renewal or extension. Sales of product under the Company's licenses with Disney Enterprises, Inc. accounted for 33% of the Company's total gross sales volume during fiscal 2004.

Many of the designs used by the Company are copyrighted by other parties, including trademark licensors, and are available to the Company through copyright licenses. Other designs are the subject of copyrights and design patents owned by the Company.

During the fiscal year ended March 28, 1999, the Company entered into licensing agreements with Calvin Klein, Inc. and Disney Enterprises, Inc. The Calvin Klein license granted the Company the right to produce

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and sell bedroom and bath products under the Calvin Klein brand. The Disney license expands the Company's right to produce and sell products featuring Disney characters. The current Disney license expires December 31, 2004. In connection with the sale of the adult bedding and bath business effective July 23, 2001, the rights of the Company under the Calvin Klein license were terminated.

The Company's aggregate commitment for minimum guaranteed royalty payments under all of its license agreements is \$3.3 million, \$0.2 million and \$0 for fiscal 2005, 2006, and thereafter, respectively. The Company believes that future sales of royalty products will exceed amounts required to cover the minimum royalty guarantees. The Company's total royalty expense, net of royalty income, was \$5.7 million, \$6.5 million and \$7.5 million for fiscal 2004, 2003 and 2002, respectively.

Competition

The infant consumer products industry is highly competitive. The Company competes with a variety of distributors and manufacturers on the basis of quality, design, price, service and packaging and is a leader in its respective industry segment. Its leadership results from the integration of extensive proprietary product design with low-cost, high-quality global sourcing to produce and market high-value merchandise to major customers. With a strong commitment to customer service, the Company develops distinctive programs for individual customers and maximizes retail productivity with aggressive pricing, quick replenishment merchandise management and efficient customer order execution. These qualities have enabled the Company to become the largest producer of infant bed coverings and bibs for distribution to mass and mid-tier merchants, enjoying approximately one-third of the infant bedding market share and one-half of the bib market share in the U.S.

Government Regulation, Environmental Control

The Company is subject to various federal, state and local environmental laws and regulations which regulate, among other things, the discharge, storage, handling and disposal of a variety of substances and wastes and to laws and regulations relating to employee safety and health, principally the Occupational Safety and Health Administration Act and regulations thereunder. The Company believes that it currently complies in all material respects with applicable environmental, health and safety laws and regulations and that future compliance with such existing laws or regulations will not have a material adverse effect on its capital expenditures, earnings or competitive position. However, there can be no assurances that such requirements will not become more stringent in the future or that the Company will not incur significant costs in the future to comply with such requirements.

Employees

At March 28, 2004, the Company had approximately 241 employees, none of whom are represented by a labor union. The Company attracts and maintains qualified personnel by paying competitive salaries and benefits and offering opportunities for advancement. The Company considers its relationship with its employees to be good.

International Sales

Sales to customers in foreign countries outside the United States are not currently material to the Company's business.

Item 2. *Properties*

The Company's headquarters are located in Gonzales, Louisiana. The Company rents approximately 17,211 square feet at this location under a lease that expires April 25, 2007.

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The following table summarizes certain information regarding the Company's principal properties.

<u>Location</u>	<u>Use</u>	<u>Approximate Square Feet</u>	<u>Owned/ Leased</u>
Gonzales, Louisiana	Administrative and sales office	17,211	Leased(1)
Berea, Kentucky	Offices, manufacturing, warehouse and distribution facilities and retail store	53,000	Owned
Compton, California	Offices, warehouse and distribution center	157,400	Leased(2)
Compton, California	Warehouse	35,000	Leased(3)
Gonzales, Louisiana	Offices, warehouse and distribution center	60,000	Leased(4)
Huntington Beach, California	Offices	2,229	Leased(5)
Huntington Beach, California	Offices	7,574	Leased(6)
Rogers, Arkansas	Sales office	1,625	Leased(7)

(1) Lease expires April 25, 2007.

(2) Lease expires May 31, 2006.

(3) Lease expires May 31, 2004 (upon expiration, the Company has discontinued use of this space).

(4) Lease expires March 31, 2005.

(5) Lease expires December 31, 2005.

(6) Lease expires April 30, 2007.

(7) Lease expires November 30, 2005.

Management believes that its properties are suitable for the purposes for which they are used, are in generally good condition and provide adequate capacity for current and anticipated future operations. The Company's business is somewhat seasonal so that during certain times of the year these facilities are fully utilized, while at other times of the year the Company has excess capacity.

Item 3. *Legal Proceedings*

From time to time, the Company is involved in various legal proceedings relating to claims arising in the ordinary course of its business. Neither the Company nor any of its subsidiaries is a party to any such legal proceeding the outcome of which, individually or in the aggregate, is expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter of the year ended March 28, 2004.

PART II

Item 5. *Market for the Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities*

The Company is authorized by its Articles of Incorporation to issue up to 75,000,000 shares of capital stock, 74,000,000 of which are designated common stock, par value \$0.01 per share, and 1,000,000 of which are designated preferred stock, par value \$0.01 per share.

Common Stock

Effective April 10, 2001, the Company's common stock was removed from the listing of the New York Stock Exchange ("NYSE") as it fell below the minimum standards of market capitalization for continued listing by the NYSE. The common stock currently trades on the OTC Bulletin Board with the ticker symbol

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“CRWS”. The following table presents quarterly information on the price range of the Company’s common stock for the fiscal years ended March 28, 2004 and March 30, 2003. This information indicates the high and low sale prices as reported on the OTC Bulletin Board.

Quarter	High	Low
Fiscal 2004		
First Quarter	\$0.90	\$0.46
Second Quarter	0.95	0.62
Third Quarter	0.80	0.47
Fourth Quarter	0.80	0.50
Fiscal 2003		
First Quarter	\$0.80	\$0.43
Second Quarter	1.05	0.55
Third Quarter	0.60	0.41
Fourth Quarter	0.55	0.45

As of June 1, 2004 there were 9,504,937 shares of the company’s common Stock issued and outstanding held by approximately 726 registered holders and the closing stock price was \$0.52. The Company has not paid a dividend since December 26, 1999 and has no plans to resume payment of dividends.

Equity Compensation Plans

The following table sets forth information regarding shares of the Company’s common stock that may be issued upon the exercise of options, warrants and other rights granted to employees, consultants or directors under all of the Company’s existing equity compensation plans, as of March 28, 2004.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders:			
Amended 1995 Stock Option Plan	577,900	\$ 0.95	419,600

Item 6. Selected Financial Data

The selected financial data presented below for the five years ended March 28, 2004 is from the Company’s financial statements. The data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this Annual Report.

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	Fiscal Year				
	2004	2003	2002	2001	2000
In thousands, except per share data					
For the year					
Net sales	\$86,227	\$94,735	\$117,591	\$247,515	\$319,893
Gross profit	19,594	21,420	25,928	18,542	35,156
Income (loss) from operations	7,436	6,948	5,022	(59,555)	(19,558)
Net income (loss)	3,103	2,487	27,002	(73,587)	(29,148)
Basic net income (loss) per share	0.33	0.26	2.95	(8.55)	(3.39)
Diluted net income (loss) per share	0.14	0.12	1.37	(8.55)	(3.39)
Cash dividends per share	—	—	—	—	0.09
At year end					
Total assets	\$58,387	\$57,926	\$ 60,200	\$ 90,678	\$215,004
Long-term debt	28,447	30,895	36,773	47,650	106,593
Shareholders' equity (deficit)	18,437	15,265	12,813	(16,773)	56,815

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company operates indirectly through its subsidiaries, Crown Crafts Infant Products, Inc., Hamco, Inc. and Churchill Weavers, Inc., primarily in the Infant Products segment within the Consumer Products industry. The Company's offices are located in Huntington Beach and Compton, California; Gonzales, Louisiana; Berea, Kentucky and Rogers, Arkansas.

The Infant Products segment consists of infant bedding, bibs, soft goods and accessories. The infant products are marketed under a variety of Company-owned trademarks, under trademarks licensed from others, without trademarks as unbranded merchandise and with customers' private labels. The products are produced primarily by foreign contract manufacturers, then warehoused and shipped from facilities in Compton, California and Gonzales, Louisiana. Sales are generally made directly to retailers, primarily mass merchants, large chain stores and gift stores.

The Company also produces hand-woven adult throws, adult scarves and infant blankets. Sales are generally made to major department stores, specialty shops and designer showrooms.

The infant consumer products industry is highly competitive. The Company competes with a variety of distributors and manufacturers and believes that it is the largest producer of infant bed coverings and bibs, enjoying approximately one-third of the infant bedding market share and one-half of the infant bib market share within these segments. The Company competes on the basis of quality, design, price, service and packaging.

Acquisitions and Dispositions

In response to changing business conditions in the consumer products industry, the Company made significant changes in its business operations over the last three years. In addition to a program of cost reductions and rationalization, the Company outsourced virtually all of its manufacturing to domestic and foreign contract manufacturers with the exception of the specialty hand wovens produced by Churchill Weavers and, until recently, screen-printed infant bibs produced by Burgundy in Mexico. The Woven Products division, with manufacturing primarily in north Georgia, was sold on November 14, 2000 and net proceeds of \$32.3 million were used to reduce debt. Following the outsourcing of the Company's adult bedding and bath products, the Company's Roxboro, North Carolina plant was sold on June 14, 2001 and the proceeds of \$8.0 million were used to reduce debt. Also, the Company made a decision to exit the adult bedding and bath business, and its net assets related to that business of \$12.4 million were sold effective July 23, 2001. Proceeds of the sale were \$8.5 million cash plus the assumption of liabilities of \$3.4 million as well as the assumption of certain contingent liabilities. Cash from the sale was used to reduce debt. Following the sale of the adult bedding and bath business, the Company is now primarily in the infant and juvenile products business, but in describing the results of operations for fiscal 2002, reference is made to all of the product

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groups. Because of the sale of assets and the refinancing that occurred July 23, 2001, the historical results for 2002 and prior are not indicative of the Company's future operations.

Restructuring Charge

In December 2002, the Company adopted a formal plan to change its sourcing strategy for certain products and close the Mexican manufacturing facility operated by its majority-owned subsidiary, Burgundy. This decision was based on extensive research by management which indicated that, due to lower wages and the elimination of certain governmental quotas on the importation of bibs, outsourcing the supply of products then being manufactured by Burgundy to Asian manufacturers was more cost-effective and competitive than maintaining operations in Mexico. Under the plan, Burgundy continued to operate through the first quarter of fiscal 2004, at which time the Company began to liquidate Burgundy's assets. As a result of the decision of the Company to discontinue its Mexican operations, the Company recorded a \$1.8 million restructuring charge to operations in the quarter ended December 29, 2002, which consisted primarily of a write-down of the property and equipment at the Mexican facility of approximately \$800,000, inventory items deemed to be in excess of production requirements of approximately \$600,000, an accrual for contractual termination benefits of approximately \$300,000 due Burgundy's entire workforce (approximately 130 employees) under the provisions of Mexico's labor regulations and the write-off of goodwill of approximately \$60,000. The Company paid approximately \$189,000 of the severance benefits in the first quarter of fiscal 2004 and paid the remainder through October 2003. The Company continued to charge the ongoing operating costs associated with Burgundy's production in the period in which the costs were incurred. The Company incurred a loss of approximately \$85,000 related to the operation and closure of this facility for the three-month period ended June 29, 2003, at which time the closure was complete.

Results of Operations: Fiscal 2004 Compared to Fiscal 2003

Net sales for fiscal 2004 decreased \$8.5 million, or 9.0%, to \$86.2 million from \$94.7 million for fiscal 2003. Net sales of throws decreased \$180,000, or 7.0%, to \$2.4 million, as sales volumes of high-end luxury throws were negatively impacted for the first six months of the current year by the recent downturn in the economy. Net sales of infant and juvenile products decreased \$8.3 million, or 9.0%, to \$83.8 million. This decline in sales, which occurred primarily in the second quarter of fiscal year 2004, is attributable to changes in buying patterns by several customers, some of whom lowered on-hand inventory levels in response to the sluggish economy, and changes in internal business strategies. Also, during fiscal year 2003, the Company shipped several new product placements to key customers, which were not repeated at the same levels in the current year. The Company's Pillow Buddies® business has been comparatively weaker in the current year because retail dollars have not been allocated to the product and increased competition for character licenses has driven royalty commitments higher than management is comfortable guaranteeing.

Cost of sales as a percentage of net sales remained level at 77.3% for fiscal 2004 compared to 77.4% for fiscal 2003. Although the Company's gross margin benefited in the current fiscal year from improvements attributable to its sourcing efforts, most of the savings was passed on to customers as a result of pricing pressure.

Marketing and administrative expenses decreased by \$0.5 million, or 4.1%, in the current fiscal year compared to the prior fiscal year and were 14.1% of net sales for the current fiscal year compared to 13.4% in the prior fiscal year. The Company achieved reductions in labor and commissions expenses in fiscal year 2004; however, these reductions were partially offset by costs related to the Company's Delaware reincorporation of approximately \$396,000.

As discussed in Note 4 to the Company's Consolidated Financial Statements, the Company recorded a \$1.8 million restructuring charge in the quarter ended December 29, 2002 related to the closure of the Company's Mexican manufacturing facility.

Interest expense for fiscal 2004 decreased by \$0.5 million because of a lower average debt balance and reduced interest rates. As discussed in "Financial Position, Liquidity and Capital Resources" below, the Company had \$28.4 million in long-term debt at March 28, 2004 compared to \$30.9 million at March 30,

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2003. This \$2.5 million decrease in debt includes payments totaling \$3 million on senior notes and a decrease in the Company's revolving credit facility of \$0.3 million offset by a \$0.6 million increase in debt related to the amortization of the discount discussed in "Financial Position, Liquidity and Capital Resources" and the issuance of a promissory note in the amount of \$268,000 related to the payment of interest on the Company's senior subordinated notes.

Income tax expense for fiscal 2004 includes a benefit for a revision of federal alternative minimum taxes of \$99,000 and an expense for state and local income taxes of \$321,000. For fiscal 2003, the Company recorded income tax expense of \$103,000 related to federal taxes, including alternative minimum taxes, and \$161,000 related to estimated state and local taxes. Income tax expense for both periods was reduced by the utilization of a portion of the Company's net operating loss carryforwards.

Results of Operations: Fiscal 2003 Compared to Fiscal 2002

Total net sales for fiscal 2003 decreased \$22.9 million, or 19.4%, to \$94.7 million from \$117.6 million for fiscal 2002. Net sales of bedroom and bath products decreased \$19.9 million, or 100%, net sales of throws decreased \$635,000, or 19.9%, to \$2.6 million, and net sales of infant and juvenile products decreased \$2.2 million, or 2.3%, to \$92.2 million.

The decrease in sales of bedroom and bath products was the result of the sale of the adult bedding and bath division on July 23, 2001. The decrease in sales of infant and juvenile products is primarily due to lost sales resulting from the West Coast port slowdown in September 2002 and the subsequent closure in October 2002 and lower reorders in ongoing business due to SKU reduction by certain major customers.

In fiscal 2003, cost of sales decreased to 77.4% of net sales from 78.0% for fiscal 2002. The decrease relates primarily to changes in product mix as a result of the divestment referenced above.

Marketing and administrative expenses decreased by \$8.2 million, or 39.3%, in the current fiscal year compared to the prior fiscal year and were 13.4% of net sales for the current fiscal year compared to 17.7% in the prior fiscal year. The decrease is a result of the divestment referenced above as well as the elimination of duplicate positions and locations.

As discussed in Note 4 to the Company's Consolidated Financial Statements, the Company recorded a \$1.8 million restructuring charge in the quarter ended December 29, 2002 related to the closure of the Company's Mexican manufacturing facility.

Interest expense for fiscal 2003 decreased by \$2.4 million because of a lower average debt balance and reduced interest rates. As discussed in "Financial Position, Liquidity and Capital Resources" below, the Company had \$30.9 million in long-term debt at March 30, 2003 compared to \$36.8 million at March 31, 2002. This \$5.9 million decrease in debt includes payments totaling \$3 million on senior notes and a decrease in the Company's revolving credit facility of \$3.7 million offset by an increase in debt related to the amortization of the discount discussed below and the issuance of a promissory note in the amount of \$274,000 related to the payment of interest on the Company's senior subordinated notes.

Due to accumulated losses, the income tax provision for fiscal 2003 includes a provision for federal alternative minimum tax of \$103,000, along with a provision for state income taxes of \$161,000, for a total tax provision of \$264,000. For fiscal 2002, the Company recorded an income tax benefit of \$1.9 million.

Financial Position, Liquidity and Capital Resources

Net cash provided by operating activities was \$3.2 million for the year ended March 28, 2004 compared to net cash provided by operating activities of \$6.8 million for the year ended March 30, 2003. The decrease in cash provided by operating activities was primarily due to the receipt of a one-time income tax refund of \$1.8 million in the prior year and a \$1.3 million decrease in prepaid expenses and other current assets in the prior year. Net cash used by investing activities was \$0.1 million in 2004 compared to net cash used by investing activities of \$0.4 million in the prior year period. The decrease in cash used by investing activities was due in large part to net proceeds from the sale of assets disposed of in connection with the closure of

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Burgundy in the current fiscal year of \$244,000. Net cash used for financing activities was \$3.3 million compared to net cash used for financing activities of \$6.7 million in the prior year period. The decrease in cash used in financing activities was due to a lower net payment of long-term debt in the current fiscal year as compared to the prior fiscal year. A portion of the long-term debt reduction in the prior fiscal year resulted from the use of the tax refund discussed above to reduce the Company's revolver. Total debt outstanding decreased to \$31.5 million at March 28, 2004 from \$33.9 million at March 30, 2003. As of March 28, 2004, letters of credit of \$1.325 million were outstanding against the \$3 million sub-limit for letters of credit associated with the Company's \$19 million revolving credit facility. As of March 28, 2004, the Company had revolving credit availability of \$15.5 million.

The Company's ability to make scheduled payments of principal, to pay the interest on or to refinance its maturing indebtedness, to fund capital expenditures or to comply with its debt covenants will depend upon future performance. The Company's future performance is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond its control. Based upon the current level of operations, the Company believes that cash flow from operations together with revolving credit availability will be adequate to meet liquidity needs.

At March 28, 2004 and March 30, 2003, long-term debt consisted of (in thousands):

	March 28, 2004	March 30, 2003
Promissory notes	\$24,054	\$27,068
Floating rate revolving credit facilities	1,495	1,799
Non-interest bearing notes	8,541	8,274
Original issue discount	(2,627)	(3,232)
	<u>31,463</u>	<u>33,909</u>
Less current maturities	3,016	3,014
	<u>\$28,447</u>	<u>\$30,895</u>

The Company's existing credit facilities include the following:

Revolving Credit of up to \$19 million including a \$3 million sub-limit for letters of credit. The interest rate is prime plus 1.00% (5.00% at March 28, 2004) for base rate borrowings and LIBOR plus 2.75% (3.84% at March 28, 2004) for Euro-dollar borrowings. The maturity date is June 30, 2005. The facility is secured by a first lien on all assets. The balance at March 28, 2004 was \$1.5 million. The Company had \$15.5 million available at March 28, 2004. As of March 28, 2004, letters of credit of \$1.325 million were outstanding against the \$3 million sub-limit for letters of credit associated with the \$19 million revolving credit facility.

Senior Notes of \$8 million with a fixed interest rate of 10% plus additional interest contingent upon cash flow availability of 3%. The maturity date is June 30, 2006 and the notes are secured by a first lien on all assets. Minimum principal payments of \$500,000 are due at the end of each calendar quarter. In the event that required debt service exceeds 85% of free cash flow (EBITDA (as hereinafter defined) less capital expenditures and cash taxes paid), the excess of contingent interest and principal amortization over 85% will be deferred until maturity of the Senior Notes in June 2006. Contingent interest plus additional principal payments will be due annually up to 85% of free cash flow. On September 30, 2002 and September 30, 2003, the Company made payments to the lenders of \$1.6 million and \$1.3 million, respectively, related to excess cash flow. The Company anticipates that it will make another excess cash flow payment of \$1.3 million on September 30, 2004.

Senior Subordinated Notes of \$16 million with a fixed interest rate of 10% plus an additional 1.65% payable by delivery of a promissory note due July 23, 2007. The maturity date is July 23, 2007 and the notes are secured by a second lien on all assets. In addition to principal and interest, a payment of \$8 million is due on the earliest of (i) maturity of the notes, (ii) prepayment of the notes, or (iii) sale of the Company. The original issue discount of \$4.1 million on this non-interest bearing note at a market

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interest rate of 12% is being amortized over the life of the notes. The remaining balance of \$2.6 million is included in the Consolidated Balance Sheet as of March 28, 2004.

These credit facilities contain covenants regarding minimum levels of Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”), maximum total debt to EBITDA, maximum senior debt to EBITDA, minimum EBITDA to cash interest and minimum shareholders’ equity. The bank facilities also place restrictions on the amounts the Company may expend on acquisitions and purchases of treasury stock and currently prohibit the payment of dividends.

Minimum annual maturities are as follows (in thousands):

Fiscal	Revolver	Senior Notes	Sub Notes	PIK Notes	Total
2005	\$ —	\$ 2,000	\$ —	\$ —	\$ 2,000
2006	—	2,500	—	—	2,500
2007	1,495	3,500	—	—	4,995
2008	—	—	24,000*	541	24,541
Total	\$1,495	\$ 8,000	\$24,000	\$ 541	\$34,036

*Includes \$8 million non-interest bearing note issued at an original issue discount of \$4.1 million.

As part of the Company’s refinancing of its credit facilities in July 2001, the Company issued to the lenders warrants for non-voting common stock that are convertible into common stock equivalent to 65% of the shares of the Company on a fully diluted basis at a price of 11.3 cents per share. The warrants are non-callable and expire in six years from their date of issuance. The value of the warrants of \$2.4 million using the Black-Scholes option pricing model was credited to additional paid-in capital in the second quarter of fiscal 2002. The dilutive effect of these warrants on earnings per share for the fiscal periods ended March 28, 2004 and March 30, 2003 was \$0.18 per share and \$0.15 per share, respectively. Also, in the second quarter of fiscal 2002, the Company recognized a gain of \$25.0 million representing forgiveness of indebtedness income (net of \$2.9 million of expenses incurred) in connection with the refinancing.

To reduce its exposure to credit losses and to enhance its cash flow, the Company assigns the majority of its trade accounts receivable to a commercial factor. The Company’s factor establishes customer credit lines and accounts for and collects receivable balances. Under the terms of the factoring agreement, which expires in July, 2005, the factor remits payments to the Company on the average due date of each group of invoices assigned. If a customer fails to pay the factor on the due date, the Company is charged interest at the greater of 6% or prime, which was 4.00% at March 28, 2004, until payment is received. The factor bears credit losses with respect to assigned accounts receivable that are within approved credit limits. The Company bears losses resulting from returns, allowances, claims and discounts. The Company’s factor at any time may terminate or limit its approval of shipments to a particular customer. If such a termination occurs, the Company may either assume the credit risks for shipments after the date of such termination or cease shipments to such customer.

The following table summarizes the maturity or expiration dates of mandatory financial obligations and commitments for the following periods.

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	(in thousands)				
<i>Contractual Obligations</i>					
Long-Term Debt Obligations	\$34,036	\$2,000	\$7,495	\$24,541	\$ —
Capital Lease Obligations	54	14	36	4	—
Operating Lease Obligations	3,080	1,373	1,637	70	—
Purchase Obligations	755	732	23	1	—
Minimum Royalty Obligations	3,513	3,277	236	—	—
Total Contractual Obligations	\$41,438	\$7,396	\$9,427	\$24,616	\$ —

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Management does not believe that inflation has had a material effect on the Company's operations. If inflation increases, the Company will attempt to increase its prices to offset its increased expenses. No assurance can be given, however, that the Company will be able to adequately increase its prices in response to inflation.

During fiscal 2002, the Company incurred approximately \$1.5 million in non-recurring charges related to the sale of the adult bedding and bath division in July, 2001, the sale of the woven products division in November, 2000, and the relocation of the Company's corporate headquarters. These costs included \$850,000 in wages and benefits (including severance) paid to temporary and terminated employees, \$795,000 in operating expenses and \$206,000 in data collection and transfer costs offset by \$356,000 in vendor discounts and allowances.

Critical Accounting Policies

While the listing below is not inclusive of all of the Company's accounting policies, the Company's management believes that the following policies are those which are most critical and embody the most significant management judgments due to the uncertainties affecting their application and the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These critical policies are:

Revenue Recognition: Sales are recorded when goods are shipped to customers, and are reported net of returns and allowances in the consolidated statements of operations and comprehensive income.

Sales Returns and Other Allowances and Allowance for Doubtful Accounts: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management must make estimates of potential future product returns related to current period product revenues. The Company's sales arrangements do not generally include acceptance provisions or clauses. Additionally, the Company does not typically grant its distributors or other customers price protection rights or rights to return products bought, other than normal and customary rights of return for defects in materials or workmanship, and is not obligated to accept product returns for any other reason. Actual returns have not historically been significant. Management analyzes historical returns, current economic trends and changes in customer demand when evaluating the adequacy of its sales returns and other allowances.

The Company factors the majority of its receivables. In the event a factored receivable becomes uncollectible due to credit worthiness, the factor bears the risk of loss. The Company's management must make estimates of the uncollectibility of its non-factored accounts receivable. Management specifically analyzes accounts receivable, historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in its customers' payment terms when evaluating the adequacy of its allowance for doubtful accounts. The Company's accounts receivable at March 28, 2004 totaled \$17.2 million, net of allowances of \$2.1 million.

Inventory Valuation: The preparation of the Company's financial statements requires careful determination of the appropriate dollar amount of the Company's inventory balances. Such amount is presented as a current asset in the Company's balance sheet and is a direct determinant of cost of goods sold in the statement of operations and, therefore, has a significant impact on the amount of net income reported in an accounting period. The basis of accounting for inventories is cost, which is the sum of expenditures and charges, both direct and indirect, incurred to bring the inventory quantities to their existing condition and location. The Company's inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out ("FIFO") method, which assumes that inventory quantities are sold in the order in which they are manufactured or purchased. The Company utilizes standard costs as a management tool. The Company's standard cost valuation of its inventories is adjusted at regular intervals to reflect the approximate cost of the inventory under FIFO. The determination of the indirect charges and their allocation to the Company's work-in-process and finished goods inventories is complex and requires significant management judgment and estimates. Material differences may result in the valuation of the Company's inventories and in the amount

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and timing of the Company's cost of goods sold and resulting net income for any period if management made different judgments or utilized different estimates.

On a periodic basis, management reviews its inventory quantities on hand for obsolescence, physical deterioration, changes in price levels and the existence of quantities on hand which may not reasonably be expected to be used or sold within the normal operating cycles of the Company's operations. To the extent that any of these conditions are believed to exist or the utility of the inventory quantities in the ordinary course of business is no longer as great as their carrying value, an allowance against the inventory valuation is established. To the extent that this allowance is established or increased during an accounting period, an expense is recorded in the Company's statement of operations in cost of goods sold. Significant management judgment is required in determining the amount and adequacy of this allowance. In the event that actual results differ from management's estimates or these estimates and judgments are revised in future periods, the Company may need to establish additional allowances which could materially impact the Company's financial position and results of operation.

As of March 28, 2004, the Company's inventories totaled \$14.4 million, net of allowances for discontinued, irregular, slow moving and obsolete inventories of \$1.0 million. Management believes that the Company's inventory valuation results in carrying the inventory at lower of cost or market.

Derivative Instruments and Hedging Activities: The Company accounts for derivative instruments and hedging activities in accordance with Statement of Financial Accounting Standards ("SFAS") 133, *Accounting for Derivative Instruments and Hedging Activities*, which was adopted by the Company on April 2, 2001. Under SFAS 133, derivative instruments are recognized in the balance sheet at fair value and changes in the fair value of such instruments are recognized currently in earnings unless specific hedge accounting criteria are met. At March 28, 2004 and March 30, 2003 the Company had no derivative instruments.

Provisions for Income Taxes: The provisions for income taxes include all currently payable federal, state and local taxes that are based upon the Company's taxable income and the change during the fiscal year in net deferred income tax assets and liabilities. The Company provides for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse. Deferred tax assets have been reduced by a valuation allowance, if necessary, in the amount of any tax benefits that, based on available evidence, are not expected to be realized.

Valuation of Long-Lived Assets, Identifiable Intangibles and Goodwill: The Company reviews for impairment long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. Assets to be disposed of are recorded at the lower of net book value or fair market value less cost to sell at the date management commits to a plan of disposal and are classified as assets held for sale on the consolidated balance sheet.

Goodwill, which represents the unamortized excess of purchase price over fair value of net identifiable assets acquired in business combinations, was amortized through March 31, 2002 using the straight-line method over periods of up to 30 years. As discussed below, the Company discontinued amortization of goodwill effective April 1, 2002. The Company reviews the carrying value of goodwill annually and if facts and circumstances suggest that the asset may be impaired. Impairment of goodwill and write-downs, if any, are measured based on estimates of future cash flows. Goodwill is stated net of accumulated amortization of \$6.3 million at March 28, 2004, March 30, 2003 and March 31, 2002. Net intangible assets, long-lived assets and goodwill, including property and equipment, amounted to \$24.8 million as of March 28, 2004.

As discussed below, on April 1, 2002, the Company implemented SFAS 142, *Goodwill and Other Intangible Assets*, and as a result, the Company discontinued amortizing approximately \$23.0 million of goodwill but continued to amortize other long-lived intangible assets. Goodwill amortization expense recorded during 2002 amounted to approximately \$1.1 million. In lieu of amortization, the Company is required to perform an annual impairment review of its goodwill. The Company has performed a transitional fair value

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based impairment test on its goodwill in accordance with SFAS 142 and has determined that the fair value exceeded the recorded value at April 1, 2002 and March 31, 2003.

Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS 141, *Business Combinations*, and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the use of the pooling-of-interests method. The application of SFAS 141 did not affect any of the Company’s previously reported amounts included in goodwill or other intangible assets. SFAS 142 requires that the amortization of goodwill cease prospectively upon adoption and that instead the carrying value of goodwill be evaluated using an impairment approach. Identifiable intangible assets continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. SFAS 142 was effective for fiscal years beginning after December 15, 2001, and was implemented by the Company on April 1, 2002. Beginning in fiscal 2003, the Company discontinued amortizing goodwill but continues to amortize other long-lived intangible assets. The Company performed fair value based impairment tests on its goodwill in accordance with SFAS 142 and determined that the fair value exceeded the recorded value at April 1, 2002 and March 31, 2003. Following is a reconciliation of previously reported net income and basic and diluted net income per share to the amounts that would have been reported if SFAS 142 had been effective as of April 2, 2001 and the amortization of goodwill had been discontinued as of that date.

	2004	2003	2002
Reported net income	\$3,103	\$2,487	\$27,002
Goodwill amortization	—	—	1,054
Adjusted net income	\$3,103	\$2,487	\$28,056
Basic income per share:			
Reported net income	\$ 0.33	\$ 0.26	\$ 2.95
Goodwill amortization	—	—	0.11
Adjusted net income	\$ 0.33	\$ 0.26	\$ 3.06
Diluted income per share:			
Reported net income	\$ 0.14	\$ 0.12	\$ 1.37
Goodwill amortization	—	—	0.05
Adjusted net income	\$ 0.14	\$ 0.12	\$ 1.42

In August 2001, the FASB issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Although SFAS 144 supersedes SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, it retains most of the concepts of that standard, except that it eliminates the requirement that goodwill be allocated to long-lived assets for impairment testing purposes and it requires that a long-lived asset to be abandoned or exchanged for a similar asset be considered held and used until it is disposed of (i.e., the depreciable life should be revised until the asset is actually abandoned or exchanged). Also, SFAS 144 includes the basic provisions of Accounting Principles Board (“APB”) Opinion No. 30, *Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for presentation of discontinued operations in the income statement but broadens that presentation to include a component of an entity rather than a segment of a business, where that component can be clearly distinguished from the rest of the entity. SFAS 144 was effective for fiscal years beginning after December 15, 2001 and was implemented by the Company on April 1, 2002. The adoption of SFAS 144 did not have a significant effect on the Company’s financial statements on the date of adoption.

In April 2002, the FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS 145 provides, among other things, that gains on the extinguishments of debt will generally no longer be classified as extraordinary items in the

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statements of operations. It also provides that gains on extinguishments be reclassified in prior years financial statements presented for comparative purposes. SFAS 145 was effective for fiscal years beginning after May 15, 2002 with earlier adoption encouraged. The Company adopted SFAS 145 effective July 1, 2002. The adoption of SFAS 145 required that a gain on debt refinancing of \$25 million realized in the second quarter of fiscal 2002 be reclassified into income before extraordinary items.

In July 2002, the FASB issued SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which was effective for transactions initiated after December 31, 2002. SFAS 146 requires companies to recognize costs associated with restructurings, discontinued operations, plant closings, or other exit or disposal activities, when incurred rather than at the date a plan is committed to. The adoption of FAS 146 did not have a material impact on the Company's consolidated financial statements on the date of adoption.

In December 2002, the FASB issued SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. SFAS 148 amends FASB 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, FASB 148 amends the disclosure requirements of FASB 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 was effective for the Company's fiscal period ended March 30, 2003. The Company adopted this standard on that date and determined that it would continue to utilize the intrinsic method of accounting and included the additional disclosures in the current period financial statements.

Forward-Looking Information

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations, projections, estimates and assumptions. Words such as "expects," "believes," "anticipates" and variations of such words and similar expressions identify such forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause future results to differ materially from those suggested by the forward-looking statements. These risks include, among others, general economic conditions, changing competition, the level and pricing of future orders from the Company's customers, the Company's dependence upon third-party suppliers, including some located in foreign countries with unstable political situations, the Company's ability to successfully implement new information technologies and the Company's dependence upon licenses from third parties.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

The Company is exposed to market risk from changes in interest rates on debt, changes in commodity prices, the concentration of the Company's customers and the Company's reliance upon licenses. The exposure to interest rate risk relates to floating rate debt, \$1.5 million of which was outstanding at March 28, 2004 compared to \$1.8 million at March 30, 2003. Each 1.0 percentage point increase in interest rates would impact pretax earnings by \$15,000 at the debt level of March 28, 2004 and \$18,000 at the debt level of March 30, 2003. The exposure to commodity price risk primarily relates to changes in the price of cotton, which is a principal raw material in a substantial number of the Company's products. Additionally, the Company's top three customers represent 75% of net sales, and 49% of the Company's net sales is of licensed products. The Company could be materially impacted by the loss of one or more of these customers or licenses.

Item 8. *Financial Statements and Supplementary Data*

See pages 24 and F-1 through F-18 hereof.

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Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

The Company has neither changed its independent accountants nor had any disagreements on accounting or financial disclosure with such accountants.

Item 9A. *Controls and Procedures*

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report, as required by paragraph (b) of Rule 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act. Since such evaluation, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information with respect to the Company's directors and executive officers is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders (the "Proxy Statement") under the captions "Election of Directors" and "Executive Officers" and is incorporated herein by reference. The information with respect to Item 405 of Regulation S-K is set forth in the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference. The information with respect to Item 406 of Regulation S-K is set forth in the Proxy Statement under the caption "Code of Ethics" and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information set forth under the caption "Security Ownership of Management and Certain Beneficial Owners" in the Proxy Statement is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

The information set forth under the caption "Compensation Committee Interlocks and Insider Participation" in the Proxy Statement is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information set forth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees," and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors" in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)1. Financial Statements

The following consolidated financial statements of the Company are filed with this report and included in Part II, Item 8:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of March 28, 2004 and March 30, 2003	F-2
Consolidated Statements of Income and Comprehensive Income for the Three Fiscal Years in the Period Ended March 28, 2004	F-3
Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the Three Fiscal Years in the Period Ended March 28, 2004	F-4
Consolidated Statements of Cash Flows for the Three Fiscal Years in the Period Ended March 28, 2004	F-5
Notes to Consolidated Financial Statements	F-6

(a)2. Financial Statement Schedule

The following financial statement schedule of the Company is filed with this report:

Schedule II — Valuation and Qualifying Accounts	Page 19
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All other schedules not listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

CROWN CRAFTS, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

SCHEDULE II

Column A	Valuation and Qualifying Accounts			
	Column B	Column C	Column D	Column E
	Balance at Beginning of Period	Charged to Costs and (reversed from) Expenses	Deductions ⁽¹⁾	Balance at End of Period
(in thousands)				
Accounts Receivable Valuation Accounts:				
Year Ended March 31, 2002				
Allowance for doubtful accounts	176	46	28	194
Allowance for customer deductions	1,761	(114)	—	1,647
Year Ended March 30, 2003				
Allowance for doubtful accounts	194	172	183	183
Allowance for customer deductions	1,647	97	—	1,744
Year Ended March 28, 2004				
Allowance for doubtful accounts	183	66	217	32
Allowance for customer deductions	1,744	282	—	2,026
Inventory Valuation Accounts:				
Year Ended March 31, 2002				
Allowance for discontinued and irregulars	2,150	19	—	2,169
Year Ended March 30, 2003				
Allowance for discontinued and irregulars	2,169	(536)	—	1,633
Year Ended March 28, 2004				
Allowance for discontinued and irregulars	1,633	(630)	—	1,003
Restructuring Reserve:				
Year ended March 31, 2002				
Allowance for restructuring costs	—	554 ⁽²⁾	—	554
Year ended March 30, 2003				
Allowance for restructuring costs	554	1,775 ⁽³⁾	608	1,721
Year ended March 28, 2004				
Allowance for restructuring costs	1,721	—	1,691	30

(1) Deductions from the allowance for doubtful accounts represent the amount of accounts written off reduced by any subsequent recoveries.

(2) Reserve relates to the closure of the adult bedding and bath division in July 2001.

(3) Reserve relates to the decision to close the Company's Mexican manufacturing facility.

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(a)3. Exhibits

Exhibits required to be filed by Item 601 of Regulation S-K are included as Exhibits to this report as follows:

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
2.1	— Merger Agreement dated as of July 23, 2001 by and among the Company, Crown Crafts Designer, Inc., Design Works Holding Company and Design Works, Inc. (the “Merger Agreement”) (2)
3.1	— Amended and Restated Certificate of Incorporation of the Company (7)
3.2	— Bylaws of the Company (7)
4.1	— Instruments defining the rights of security holders are contained in the Amended and Restated Certificate of Incorporation of the Company (7)
4.2	— Instruments defining the rights of security holders are contained in the Bylaws of the Company (7)
4.3	— Form of Registration Rights Agreement entered into in connection with the Subordinated Note and Warrant Purchase Agreement dated as of July 23, 2001 by and among the Company, as Borrowers, Wachovia Bank, N.A., as Agent, and Wachovia Bank, N.A., Bank of America, N.A., and The Prudential Insurance Company of America, as Lenders, (the “Sub Debt Agreement”)(included as Exhibit C to the Sub Debt Agreement) (2)
10.1	— Crown Crafts, Inc. Amended 1995 Stock Option Plan (1)
10.2	— Form of Nonstatutory Stock Option Agreement (pursuant to 1995 Stock Option Plan) (1)
10.3	— Form of Nonstatutory Stock Option Agreement for Nonemployee Directors (pursuant to 1995 Stock Option Plan) (1)
10.4	— Form of Restricted Stock Agreement entered into in connection with the Merger Agreement (2)
10.5	— Credit Agreement dated as of July 23, 2001 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. (collectively, the “Borrowers”), Wachovia Bank, N.A., as Agent, and Wachovia Bank, N.A., Bank of America, N.A., and The Prudential Insurance Company of America (collectively, the “Lenders”) (the “Credit Agreement”) (2)
10.6	— Form of Revolving Note issued in connection with the Credit Agreement (included as Exhibit A-1 to the Credit Agreement) (2)
10.7	— Form of Term Note issued in connection with the Credit Agreement (included as Exhibit A-2 to the Credit Agreement) (2)
10.8	— Form of Domestic Stock Pledge Agreement entered into in connection with the Credit Agreement (included as Exhibit N to the Credit Agreement) (2)
10.9	— Form of Foreign Stock Pledge Agreement entered into in connection with the Credit Agreement (included as Exhibit T to the Credit Agreement) (2)
10.10	— Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999 from Churchill Weavers, Inc. (“Churchill”) to Wachovia Bank, N.A., as Collateral Agent for the Lenders, as amended by that First Amendment to Mortgage, Security Agreement and Fixture Financing Statement dated July 23, 2001, entered into in connection with the Credit Agreement (2)
10.11	— Sub Debt Agreement (2)
10.12	— Form of Note issued in connection with the Sub Debt Agreement (included as Exhibit A-1 to the Sub Debt Agreement) (2)
10.13	— Form of Warrant issued in connection with the Sub Debt Agreement (included as Exhibit B to the Sub Debt Agreement) (2)
10.14	— Form of Domestic Stock Pledge Agreement entered into in connection with the Sub Debt Agreement (included as Exhibit D to the Sub Debt Agreement) (2)
10.15	— Form of Foreign Stock Pledge Agreement entered into in connection with the Sub Debt Agreement (included as Exhibit E to the Sub Debt Agreement) (2)

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Exhibit Number	Description of Exhibits
10.16	— Form of Security Agreement entered into in connection with the Sub Debt Agreement (included as Exhibit F to the Sub Debt Agreement) (2)
10.17	— Mortgage, Security Agreement and Fixture Financing Statement dated July 23, 2001 from Churchill to Wachovia Bank, N.A., as Collateral Agent for the Lenders, entered into in connection with the Sub Debt Agreement (2)
10.18	— Amended and Restated Security Agreement dated as of July 23, 2001 by and among the Borrowers and Wachovia Bank, N.A, as Collateral Agent for the Lenders, entered into in connection with the Credit Agreement (2)
10.19	— Form of Non-Competition and Non-Disclosure Agreement entered into in connection with the Merger Agreement (included as Exhibit E to the Merger Agreement) (2)
10.20	— Employment Agreement dated July 23, 2001 by and between the Company and E. Randall Chestnut (2)
10.21	— Second Amendment to Subordinated Note and Warrant Purchase Agreement dated as of February 10, 2003 by and among the Company, Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.), The Prudential Insurance Company of America and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.) (3)
10.22	— Third Amendment to Credit Agreement dated as of February 10, 2003 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Agent, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.) and The Prudential Insurance Company of America, as Lenders (3)
10.23	— Global Amendment Agreement dated as of April 29, 2003 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., Wachovia Bank National Association, Banc of America Strategic Solutions, Inc., The Prudential Insurance Company of America and Bank of America, N.A. (4)
10.24	— Amendment to the Company’s Amended 1995 Stock Option Plan Adopted by the Board of Directors on April 29, 2003 (5)
10.25	— Fourth Amendment to Subordinated Note and Warrant Purchase Agreement dated as of August 1, 2003, by and among the Company, Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.), The Prudential Insurance Company of America and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.) (6)
10.26	— Fifth Amendment to Credit Agreement dated as of August 1, 2003 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Agent, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.) and The Prudential Insurance Company of America, as Lenders (6)
10.27	— Amended and Restated Support Agreement dated as of August 6, 2003 by and between the Company and Wynnefield Capital Management, LLC (6)
10.28	— Sixth Amendment to Credit Agreement dated as of December 16, 2003 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Agent, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.) and The Prudential Insurance Company of America, as Lenders (7)
10.29	— Amended and Restated Severance Protection Agreement dated April 20, 2004 by and between the Company and E. Randall Chestnut (8)
10.30	— Amended and Restated Employment Agreement dated April 20, 2004 by and between the Company and Amy Vidrine Samson (8)

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Exhibit Number	Description of Exhibits
10.31	— Amended and Restated Employment Agreement dated April 20, 2004 by and between the Company and Nanci Freeman (8)
14.1	— Code of Ethics (8)
21	— Subsidiaries of the Company (8)
23	— Consent of Independent Registered Public Accounting Firm (8)
31.1	— Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer (8)
31.2	— Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer (8)
32.1	— Section 1350 Certification by the Company's Chief Executive Officer (8)
32.2	— Section 1350 Certification by the Company's Chief Financial Officer (8)

- (1) Incorporated herein by reference to Registrant's Definitive Proxy Statement filed October 14, 1999.
- (2) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated July 23, 2001.
- (3) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 29, 2002.
- (4) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated May 9, 2003.
- (5) Incorporated herein by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended March 30, 2003.
- (6) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003.
- (7) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 28, 2003.
- (8) Filed herewith.

(b) Reports on Form 8-K

The Company filed the following Current Reports on Form 8-K during the quarter ended March 28, 2004:

- (1) The Company's Current Report on Form 8-K filed with the SEC on February 11, 2004, setting forth under Item 12 of such report a press release discussing the Company's financial results for the third quarter of fiscal year 2004, which ended December 28, 2003.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Crown Crafts, Inc.

We have audited the accompanying consolidated balance sheets of Crown Crafts, Inc. and subsidiaries (the "Company") as of March 28, 2004 and March 30, 2003, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity (deficit), and cash flows for each of the three years in the period ended March 28, 2004. Our audit also included the financial statement schedule listed at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 28, 2004 and March 30, 2003, and the results of its operations and its cash flows for each of the three years in the period ended March 28, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* in the year ended March 30, 2003.

/s/ DELOITTE & TOUCHE LLP

New Orleans, Louisiana

June 4, 2004

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 28, 2004 and March 30, 2003
(dollar amounts in thousands, except share and per share amounts)

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7	\$ 194
Accounts receivable (net of allowances of \$2,058 in 2004 and \$1,927 in 2003)		
Due from factor	16,259	14,472
Other	962	1,304
Inventories, net	14,394	15,548
Prepaid Expenses	1,622	1,026
Other current assets	94	88
	<hr/>	<hr/>
Total current assets	33,338	32,632
Property, plant and equipment — at cost:		
Land, buildings and improvements	1,803	1,920
Machinery and equipment	2,802	3,285
Furniture and fixtures	664	677
	<hr/>	<hr/>
	5,269	5,882
Less accumulated depreciation	3,435	3,644
	<hr/>	<hr/>
Property, plant and equipment — net	1,834	2,238
Other assets:		
Goodwill, net	22,974	22,974
Other	241	82
	<hr/>	<hr/>
Total other assets	23,215	23,056
	<hr/>	<hr/>
Total Assets	\$ 58,387	\$ 57,926
	<hr/>	<hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,117	\$ 4,524
Accrued wages and benefits	1,408	1,413
Accrued royalties	1,274	1,454
Other accrued liabilities	688	1,361
Current maturities of long-term debt	3,016	3,014
	<hr/>	<hr/>
Total current liabilities	11,503	11,766
Non-current liabilities:		
Long-term debt	28,447	30,895
	<hr/>	<hr/>
Total non-current liabilities	28,447	30,895
Commitments and contingencies		
	—	—
Shareholders' equity:		
Common stock — par value \$0.01 per share, 74,000,000 shares authorized, 9,504,937 shares outstanding at March 28, 2004; par value \$1.00 per share, 50,000,000 shares authorized, 9,421,437 shares outstanding at March 30, 2003	95	9,421
Additional paid-in capital	38,244	28,857
Accumulated deficit	(19,902)	(22,988)
Cumulative currency translation adjustment	—	(25)
	<hr/>	<hr/>
Total shareholders' equity	18,437	15,265
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$ 58,387	\$ 57,926
	<hr/>	<hr/>

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Fiscal years ended March 28, 2004, March 30, 2003, and March 31, 2002

(amounts in thousands, except per share amounts)

	2004	2003	2002
Net sales	\$86,227	\$94,735	\$117,591
Cost of products sold	66,633	73,315	91,663
Gross profit	19,594	21,420	25,928
Marketing and administrative expenses	12,160	12,686	20,872
(Gain) loss on disposition of assets	(2)	11	34
Restructuring charge	—	1,775	—
Income from operations	7,436	6,948	5,022
Other income (expense):			
Interest expense	(4,055)	(4,548)	(6,943)
Gain on extinguishment of debt	—	—	25,008
Other — net	(56)	351	2,035
Income before income taxes	3,325	2,751	25,122
Income tax expense (benefit)	222	264	(1,880)
Net income	3,103	2,487	27,002
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	25	(35)	76
Comprehensive income	\$ 3,128	\$ 2,452	\$ 27,078
Basic income per share	\$ 0.33	\$ 0.26	\$ 2.95
Diluted income per share	\$ 0.14	\$ 0.12	\$ 1.37
Weighted average shares outstanding — basic	9,485	9,421	9,167
Weighted average shares outstanding — diluted	22,393	21,471	19,759

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

Fiscal years ended March 28, 2004, March 30, 2003, and March 31, 2002
(dollar amounts in thousands)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Cumulative Currency Translation Adjustment	Total Shareholders' Equity/(Deficit)
	Number of Shares	Amount				
Balances — April 1, 2001	8,608,843	8,609	27,161	(52,477)	(66)	(16,773)
Purchase 401 (k) shares	(14,406)	(15)	10			(5)
Issuance of warrants			2,381			2,381
Issuance of shares	827,000	827	(695)			132
Net income				27,002		27,002
Currency translation adjustment					76	76
Balances — March 31, 2002	9,421,437	9,421	28,857	(25,475)	10	12,813
Net income				2,487		2,487
Currency translation adjustment					(35)	(35)
Balances — March 30, 2003	9,421,437	9,421	28,857	(22,988)	(25)	15,265
Issuance of shares	83,500	84	(23)			61
Conversion from \$1.00 par value to \$0.01 par value		(9,410)	9,410			—
Net income				3,103		3,103
Currency translation adjustment				(17)	25	8
Balances — March 28, 2004	9,504,937	\$ 95	\$38,244	\$ (19,902)	\$ —	\$ 18,437

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended March 28, 2004, March 30, 2003, and March 31, 2002
(amounts in thousands)

	2004	2003	2002
Operating activities:			
Net income	\$ 3,103	\$ 2,487	\$ 27,002
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on debt refinancing	—	—	(25,008)
Depreciation of property, plant and equipment	532	724	971
Amortization of goodwill	—	—	1,054
(Gain) loss on sale of property, plant, and equipment	(2)	11	34
Discount accretion	605	537	324
Restructuring charge	—	1,775	—
Changes in assets and liabilities			
Accounts receivable	(1,445)	(3,244)	4,970
Inventories, net	1,154	300	3,113
Income tax receivable	—	1,820	(1,820)
Other current assets	(601)	1,352	(233)
Other assets	(159)	96	142
Accounts payable	593	829	(4,775)
Accrued liabilities	(575)	187	(2,651)
Other long term liabilities	—	(35)	(745)
Liabilities assumed by purchaser of adult bedding	—	—	3,372
Reclassification of current assets to held for sale	—	—	(39)
Net cash provided by operating activities	3,205	6,839	5,711
Investing activities:			
Capital expenditures	(422)	(397)	(309)
Proceeds from disposition of assets	282	73	18,216
Other	6	(35)	76
Net cash (used in) provided by investing activities	(134)	(359)	17,983
Financing activities:			
Payment of long-term borrowing	(38,595)	(41,835)	(63,769)
Long-term borrowing	35,276	35,161	39,449
Increase in advances from factor	—	—	299
Issuance of common stock	61	—	127
Net cash used in financing activities	(3,258)	(6,674)	(23,894)
Net decrease in cash and cash equivalents	(187)	(194)	(200)
Cash and cash equivalents at beginning of year	194	388	588
Cash and cash equivalents at end of year	\$ 7	\$ 194	\$ 388
Supplemental cash flow information:			
Income taxes paid (refunded)	\$ 276	\$ (1,635)	\$ (191)
Interest paid	3,267	3,597	7,801
Supplemental disclosure of non-cash investing and financing activities			
Forgiveness of indebtedness	\$ —	\$ —	\$ 25,008
Issuance of warrants	—	—	2,381
Accrued interest converted to long-term debt	268	274	—

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended March 28, 2004, March 30, 2003 and March 31, 2002

Note 1 — Description of Business

Crown Crafts, Inc. and its subsidiaries (collectively, the “Company”) operate in the Infant Products segment within the Consumer Products industry. The Infant Products segment consists of infant bedding, bibs, infant soft goods and accessories. Sales are generally made directly to retailers, primarily mass merchants, large chain stores, gift stores and department and specialty stores.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation: The consolidated financial statements include the accounts of Crown Crafts, Inc. and its subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

The Company’s fiscal year ends on the Sunday nearest March 31. Fiscal years are designated in the consolidated financial statements and notes thereto by reference to the calendar year within which the fiscal year ends. The consolidated financial statements encompass 52 weeks for fiscal years 2004, 2003 and 2002.

Cash and Cash Equivalents: The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made with respect to the allowances related to accounts receivable for customer deductions for returns, allowances, and disputes. The Company has a certain amount of discontinued and irregular raw materials and finished goods which necessitate the establishment of inventory reserves which are highly subjective. Actual results could differ from those estimates.

Revenue Recognition: Sales are recorded when goods are shipped to customers, and are reported net of allowances for estimated returns and allowances in the consolidated statements of operations and comprehensive income. Allowances for returns and allowances are estimated based on historical rates.

Inventory Valuation: Inventories are valued at the lower of first-in, first-out, cost or market.

Depreciation and Amortization: Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 15 to 40 years for buildings, three to seven and one-half years for machinery and equipment, five years for data processing equipment, and eight years for furniture and fixtures. The cost of improvements to leased premises is amortized over the shorter of the estimated life of the improvement or the term of the lease.

Impairment of Long-lived Assets, Identifiable Intangibles and Goodwill: The Company reviews for impairment long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. Assets to be disposed of are recorded at the lower of net book value or fair market value less cost to sell at the date management commits to a plan of disposal and are classified as assets held for sale on the consolidated balance sheet.

Goodwill, which represents the unamortized excess of purchase price over fair value of net identifiable assets acquired in business combinations, was amortized through March 31, 2002 using the straight-line method over periods of up to 30 years. As discussed below, the Company discontinued amortization of goodwill effective April 1, 2002. The Company reviews the carrying value of goodwill annually and if facts and circumstances suggest that the asset may be impaired. Impairment of goodwill and write-downs, if any, are

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

measured based on estimates of future cash flows. Goodwill is stated net of accumulated amortization of \$6.3 million at March 28, 2004, March 30, 2003 and March 31, 2002.

Foreign Currency Translation: The assets and liabilities of the Company's Mexican subsidiary are translated into U.S. dollars at current exchange rates, and revenues and expenses are translated at average exchange rates. The effect of foreign currency transactions was not material to the Company's results of operations for fiscal years 2004, 2003 and 2002.

Provisions for Income Taxes: The provisions for income taxes include all currently payable federal, state and local taxes that are based upon the Company's taxable income and the change during the fiscal year in net deferred income tax assets and liabilities. The Company provides for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse. Deferred tax assets have been reduced by a valuation allowance, if necessary, in the amount of any tax benefits that based on available evidence, are not expected to be realized.

Stock-Based Compensation: The Company accounts for its stock option plans using the intrinsic value method established by APB Opinion No. 25, "Accounting for Stock Issued to Employees", and its related interpretations. Accordingly, no compensation cost has been recognized in the Company's financial statements for its stock-based compensation plans. The Company complies with the disclosure requirements of SFAS No. 123, "Accounting for Stock Based-Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure", which requires pro forma disclosure regarding net earnings and earnings per share determined as if the Company had accounted for employee stock options using the fair value method of that statement.

The weighted-average grant-date fair value of options granted in 2004, 2003, and 2002, respectively, was \$0.23, \$0.25, and \$0.11 per share. For purposes of the pro forma disclosure, the fair value of each option was estimated as of the date of grant using the Black-Scholes option-pricing model and is amortized to expense ratably as the option vests. The following table summarizes the assumptions used to value options. Had compensation costs for the Company's stock option plans been determined based on the fair value at the grant date, consistent with the method under SFAS No. 123, the Company's net earnings and earnings per share would have been as indicated below:

	2004	2003	2002
	(in thousands, except per share data)		
Net income, as reported	\$3,103	\$2,487	\$27,002
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	35	25	74
Pro forma net income	\$3,068	\$2,462	\$26,928
Earnings per share:			
Basic — as reported	\$ 0.33	\$ 0.26	\$ 2.95
Basic — pro forma	\$ 0.33	\$ 0.26	\$ 2.94
Diluted — as reported	\$ 0.14	\$ 0.12	\$ 1.37
Diluted — pro forma	\$ 0.14	\$ 0.11	\$ 1.36

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2004	2003	2002
	(in percentages, except expected life)		
Dividend yield	—	—	—
Expected volatility	10	20	50
Risk free interest rate	4.5	4.2	2.5
Expected life, years	7.9	8.0	6.5

Segments and Related Information: The Company adopted Statement of Financial Accounting Standards (“SFAS”) 131, “Disclosures about Segments of an Enterprise and Related Information.” This statement requires certain information to be reported about operating segments on a basis consistent with the Company’s internal organizational structure. Management’s analysis concluded that the Company operated in two operating segments, 1) adult home furnishings and juvenile products, and 2) infant products. Following the sale of the Adult Bedding and Bath division in July, 2001, the Company operates primarily in the infant products segment. Required disclosures have been made in Note 12.

Net Income Per Share: Net income per share is calculated in accordance with SFAS 128, Earnings per Share, which requires dual presentation of basic and diluted earnings per share on the face of the income statement for all entities with complex capital structures. Earnings per common share are based on the weighted average number of shares outstanding during the period. Basic and diluted weighted average shares are calculated in accordance with the treasury stock method, which assumes that the proceeds from the exercise of all options are used to repurchase common shares at market value. The number of shares remaining after the exercise proceeds are exhausted represents the potentially dilutive effect of the options. The following table sets forth the computation of basic and diluted net income per common share for fiscal years 2004, 2003 and 2002.

	2004	2003	2002
	(Amounts in thousands, except per share data)		
Basic Net Income per Share:			
Net Income	\$ 3,103	\$ 2,487	\$27,002
Weighted Average Number of Shares Outstanding	9,485	9,421	9,167
Basic Net Income per Share	\$ 0.33	\$ 0.26	\$ 2.95
Diluted Net Income per Share:			
Net Income	\$ 3,103	\$ 2,487	\$27,002
Weighted Average Number of Shares Outstanding	9,485	9,421	9,167
Effect of Dilutive Securities	12,908	12,050	10,592
Average Shares — Diluted	22,393	21,471	19,759
Diluted Net Income per Share	\$ 0.14	\$ 0.12	\$ 1.37

Derivative Instruments and Hedging Activities: The Company accounts for derivative instruments and hedging activities in accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which was adopted by the Company on April 2, 2001. Under SFAS 133, derivative instruments are recognized in the balance sheet at fair value and changes in the fair value of such instruments are recognized currently in earnings unless specific hedge accounting criteria are met. At March 28, 2004 and March 30, 2003 the Company had no derivative instruments.

Recently Issued Accounting Standards: In July 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS 141, *Business Combinations*, and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the use of the pooling-of-interests method. The application of SFAS 141

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

did not affect any of the Company's previously reported amounts included in goodwill or other intangible assets. SFAS 142 requires that the amortization of goodwill cease prospectively upon adoption and that instead the carrying value of goodwill be evaluated using an impairment approach. Identifiable intangible assets continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. SFAS 142 was effective for fiscal years beginning after December 15, 2001, and was implemented by the Company on April 1, 2002. Beginning in fiscal 2003, the Company discontinued amortizing goodwill but continues to amortize other long-lived intangible assets. The Company performed fair value based impairment tests on its goodwill in accordance with SFAS 142 and determined that the fair value exceeded the recorded value at April 1, 2002 and March 31, 2003. Following is a reconciliation of previously reported net income and basic and diluted net income per share to the amounts that would have been reported if SFAS 142 had been effective as of April 2, 2001 and the amortization of goodwill had been discontinued as of that date.

	2004	2003	2002
Reported net income	\$3,103	\$2,487	\$27,002
Goodwill amortization	—	—	1,054
Adjusted net income	\$3,103	\$2,487	\$28,056
Basic income per share:			
Reported net income	\$ 0.33	\$ 0.26	\$ 2.95
Goodwill amortization	—	—	0.11
Adjusted net income	\$ 0.33	\$ 0.26	\$ 3.06
Diluted income per share:			
Reported net income	\$ 0.14	\$ 0.12	\$ 1.37
Goodwill amortization	—	—	0.05
Adjusted net income	\$ 0.14	\$ 0.12	\$ 1.42

In August 2001, the FASB issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Although SFAS 144 supersedes SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, it retains most of the concepts of that standard, except that it eliminates the requirement that goodwill be allocated to long-lived assets for impairment testing purposes and it requires that a long-lived asset to be abandoned or exchanged for a similar asset be considered held and used until it is disposed of (i.e., the depreciable life should be revised until the asset is actually abandoned or exchanged). Also, SFAS 144 includes the basic provisions of Accounting Principles Board ("APB") Opinion No. 30, *Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for presentation of discontinued operations in the income statement but broadens that presentation to include a component of an entity rather than a segment of a business, where that component can be clearly distinguished from the rest of the entity. SFAS 144 is effective for fiscal years beginning after December 15, 2001 and was implemented by the Company on April 1, 2002. The adoption of SFAS 144 did not have a significant effect on the Company's financial statements on the date of adoption.

In April 2002, the FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS 145 provides, among other things, that gains on the extinguishments of debt will generally no longer be classified as extraordinary items in the statements of operations. It also provides that gains on extinguishments be reclassified in prior years financial statements presented for comparative purposes. SFAS 145 is effective for fiscal years beginning after May 15, 2002 with earlier adoption encouraged. The Company adopted SFAS 145 effective July 1, 2002. The adoption of SFAS 145 required that a gain on debt refinancing of \$25 million realized in the second quarter of fiscal 2002 be reclassified into income before extraordinary items.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In July 2002, the FASB issued SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which was effective for transactions initiated after December 31, 2002. SFAS 146 requires companies to recognize costs associated with restructurings, discontinued operations, plant closings, or other exit or disposal activities, when incurred rather than at the date a plan is committed to. The adoption of FAS 146 did not have a material impact on the Company's consolidated financial statements on the date of adoption.

In December 2002, the FASB issued SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. SFAS 148 amends FASB 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, FASB 148 amends the disclosure requirements of FASB 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 was effective for the Company's fiscal period ended March 30, 2003. The Company adopted this standard on that date and determined that it would continue to utilize the intrinsic method of accounting and included the additional disclosures in the current period financial statements.

Reclassifications: Certain prior year financial statement balances have been reclassified to conform with the current year's presentation.

Note 3 — Discontinuance of Certain Businesses

On June 14, 2001, the Company completed the sale of the Timberlake, North Carolina plant. Proceeds of \$8.0 million were used to reduce debt. On July 17, 2001, the Roxboro, North Carolina outlet store was sold and the proceeds of \$500,000 were used to reduce debt.

As part of the plan to reduce debt and restore profitability, the Company made a decision to exit the Adult Bedding and Bath business and its net assets related to that business of \$12.4 million were sold effective July 23, 2001. Proceeds of the sale were \$8.5 million cash plus the assumption of liabilities of \$3.4 million as well as the assumption of certain contingent liabilities. Cash from the sale was used to reduce debt.

Note 4 — Restructuring Charge

In December 2002, the Company adopted a formal plan to change its sourcing strategy for certain products and close the Mexican manufacturing facility operated by its majority-owned subsidiary, Burgundy Interamericana ("Burgundy"). This decision was based on extensive research by management which indicated that, due to lower wages and the elimination of the quota on bibs, outsourcing the supply of products then being manufactured by Burgundy to Asian manufacturers was more cost-effective and competitive than maintaining operations in Mexico. Under the plan, Burgundy continued to operate through the first quarter of fiscal 2004, at which time the Company began to liquidate Burgundy's assets. As a result of the decision of the Company to discontinue its Mexican operations, the Company recorded a \$1.8 million restructuring charge to operations in the quarter ended December 29, 2002, which consisted primarily of a write-down of the property and equipment at the Mexican facility of approximately \$800,000, inventory items deemed to be in excess of production requirements of approximately \$600,000, an accrual for contractual termination benefits of approximately \$300,000 due Burgundy's entire workforce (approximately 130 employees) under the provisions of Mexico's labor regulations and the write-off of goodwill of approximately \$60,000. The Company paid approximately \$189,000 of the severance benefits in the first quarter of fiscal 2004 and paid the remainder through October 2003. The Company continued to charge the ongoing operating costs associated with Burgundy's production in the period in which the costs were incurred. The Company incurred a loss of approximately \$85,000 related to the operation and closure of this facility for the three-month period ended June 29, 2003, at which time the closure was complete.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5 — Inventories

Major classes of inventory were as follows:

	March 28, 2004	March 30, 2003
Raw Materials	\$ 1,116	\$ 2,991
Work in Process	1,028	1,411
Finished Goods	12,250	11,146
	<u>14,394</u>	<u>15,548</u>

Inventory is net of reserves for inventories classified as irregular or discontinued of \$1.0 million at March 28, 2004 and \$1.6 million at March 30, 2003.

Note 6 — Financing Arrangements

Factoring Agreement: The Company assigns the majority of its trade accounts receivable to a commercial factor. Under the terms of the factoring agreement, the factor remits payments to the Company on the average due date of each group of invoices assigned. The factor bears credit losses with respect to assigned accounts receivable that are within approved credit limits. The Company bears losses resulting from returns, allowances, claims and discounts. Factoring fees, which are included in marketing and administrative expenses in the consolidated statements of operations, were \$384,000, \$492,000 and \$761,000, respectively, in 2004, 2003, and 2002. Factor advances were at \$0 at both March 28, 2004 and March 30, 2003.

Notes Payable and Other Credit Facilities: At March 28, 2004 and March 30, 2003, long term debt consisted of:

	March 28, 2004	March 30, 2003
Promissory notes	\$24,054	\$27,068
Floating rate revolving credit facilities	1,495	1,799
Non-interest bearing notes	8,541	8,274
Original issue discount	(2,627)	(3,232)
	<u>31,463</u>	<u>33,909</u>
Less current maturities	3,016	3,014
	<u>\$28,447</u>	<u>\$30,895</u>

On July 23, 2001 the Company completed a refinancing of its debt. These credit facilities include the following:

Revolving Credit of up to \$19 million including a \$3 million sub-limit for letters of credit. The interest rate is prime plus 1.00% (5.00% at March 28, 2004) for base rate borrowings and LIBOR plus 2.75% (3.84% at March 28, 2004) for Euro-dollar borrowings. The maturity date is June 30, 2005. The facility is secured by a first lien on all assets. The balance at March 28, 2004 was \$1.5 million. The Company had \$15.5 million available at March 28, 2004. As of March 28, 2004, letters of credit of \$1.325 million were outstanding against the \$3 million sub-limit for letters of credit associated with the \$19 million revolving credit facility.

Senior Notes of \$8 million with a fixed interest rate of 10% plus additional interest contingent upon cash flow availability of 3%. The maturity date is June 30, 2006 and the notes are secured by a first lien on all assets. Minimum principal payments of \$500,000 are due at the end of each calendar quarter. In the event that required debt service exceeds 85% of free cash flow (EBITDA (as hereinafter defined) less

CROWN CRAFTS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

capital expenditures and cash taxes paid), the excess of contingent interest and principal amortization over 85% will be deferred until maturity of the Senior Notes in June 2006. Contingent interest plus additional principal payments will be due annually up to 85% of free cash flow. On September 30, 2002 and September 30, 2003, the Company made payments to the lenders of \$1.6 million and \$1.3 million, respectively, related to excess cash flow. The Company anticipates that it will make another excess cash flow payment of \$1.3 million on September 30, 2004.

Senior Subordinated Notes of \$16 million with a fixed interest rate of 10% plus an additional 1.65% payable by delivery of a promissory note due July 23, 2007. The maturity date is July 23, 2007 and the notes are secured by a second lien on all assets. In addition to principal and interest, a payment of \$8 million is due on the earliest of (i) maturity of the notes, (ii) prepayment of the notes, or (iii) sale of the Company. The original issue discount of \$4.1 million on this non-interest bearing note at a market interest rate of 12% is being amortized over the life of the notes. The remaining balance of \$2.6 million is included in the Consolidated Balance Sheet as of March 28, 2004.

These credit facilities contain covenants regarding minimum levels of Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”), maximum total debt to EBITDA, maximum senior debt to EBITDA, minimum EBITDA to cash interest and minimum shareholders’ equity. Certain covenants included in the credit facilities were amended in conjunction with the liquidation of Burgundy, as discussed in Note 4 to the Company’s Consolidated Financial Statements, in order to account for the recording of the related restructuring charge. The bank facilities also place restrictions on the amounts the Company may expend on acquisitions and purchases of treasury stock and currently prohibit the payment of dividends.

Minimum annual maturities are as follows (in thousands):

<u>Fiscal</u>	<u>Revolver</u>	<u>Senior Notes</u>	<u>Sub Notes</u>	<u>PIK Notes</u>	<u>Total</u>
2005	\$ —	\$2,000	\$ —	\$ —	\$ 2,000
2006	—	2,500	—	—	2,500
2007	1,495	3,500	—	—	4,995
2008	—	—	24,000*	541	24,541
Total	\$1,495	\$8,000	\$24,000	\$541	\$34,036

*Includes \$8 million non-interest bearing note issued at an original issue discount of \$4.1 million.

As part of the refinancing, the Company issued to the lenders warrants for non-voting common stock that are convertible into common stock equivalent to 65% of the shares of the Company on a fully diluted basis at a price of 11.3 cents per share. The warrants are non-callable and expire in six years from their date of issuance. The value of the warrants of \$2.4 million using the Black-Scholes option pricing model was credited to additional paid-in capital in the second quarter of fiscal 2002. The dilutive effect of these warrants on earnings per share for the fiscal periods ended March 28, 2004 and March 30, 2003 was \$0.18 per share and \$0.15 per share, respectively. Also, in the second quarter of fiscal 2002, the Company recognized a gain of \$25.0 million representing forgiveness of indebtedness income (net of \$2.9 million of expenses incurred) in connection with the refinancing.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 7 — Income Taxes

Income tax expense (benefit) is summarized as follows:

	2004	2003	2002
	(in thousands)		
Current:			
Federal	\$ 24	\$127	\$(1,820)
State and local	296	161	(60)
Total current	320	288	(1,880)
Deferred:			
Federal	(98)	(24)	—
State and local	—	—	—
Total deferred	(98)	24	—
Total expense (benefit)	\$222	\$264	\$(1,880)

The tax effects of temporary differences that comprise the deferred tax liabilities and assets are as follows:

	2004	2003
	(in thousands)	
Gross deferred income tax liabilities:		
Property, plant and equipment	\$ 5	\$ 14
Total gross deferred income tax liabilities	5	14
Gross deferred income tax assets:		
Employee benefit accruals	448	413
Accounts receivable and inventory reserves	1,165	1,091
Net operating loss carryforward	5,535	5,777
Other	4	159
Total gross deferred income tax assets	7,152	7,440
Deferred tax asset valuation allowance	(7,049)	(7,426)
Net deferred income tax asset	\$ 98	\$ —

As of March 28, 2004, the Company has federal income tax net operating loss carryforwards totaling \$14.6 million which begin expiring in the year ending March 2021.

The following reconciles the income tax expense (benefit) at the U.S. federal income tax statutory rate to that in the financial statements:

	2004	2003	2002
	(in thousands)		
Tax expense at statutory rate	\$1,131	\$ 936	\$ 8,541
Nondeductible amortization of goodwill	—	—	284
State income taxes, net of Federal income tax benefit	200	106	1,030
Valuation allowance	(377)	(1,776)	(27,533)
Disposition of subsidiary	(836)	—	15,203
Foreign subsidiary losses	29	797	288
Other	75	201	307

Income tax expense (benefit)

\$ 222

\$ 264

\$ (1,880)

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 8 — Retirement Plans

Effective January 1, 1996, the Company established an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees. In fiscal 2002, employees could elect to exclude up to 15% of their compensation from amounts subject to income tax as a salary deferral contribution. In fiscal 2003, the potential deferral was changed from 15% to a maximum of \$11,000 and in fiscal 2004 was increased to a maximum of \$12,000 in accordance with changes in federal regulations. The Board of Directors determines each calendar year the portion, if any, of employee contributions that will be matched by the Company. The Company's matching contribution to the plan including the utilization of forfeitures was approximately \$165,000, \$156,000, and \$186,000, respectively, for fiscal 2004, 2003, and 2002. This matching represents an amount equal to 100% of the first 2% and 50% of the next 1% contributed by the employee.

Note 9 — Stock Options

The Company accounts for its stock option plans using the intrinsic value method established by APB Opinion No. 25, "Accounting for Stock Issued to Employees", and its related interpretations. Accordingly, no compensation cost has been recognized in the Company's financial statements for its stock based compensation plans. The Company complies with the disclosure requirements of SFAS No. 123, "Accounting for Stock Based Compensation", which requires pro forma disclosure regarding net earnings and earnings per share determined as if the Company had accounted for employee stock options using the fair value method of that statement.

The Company's 1995 Stock Option Plan provides for the grant of non-qualified and incentive stock options to officers and key employees at prices no less than the market price of the stock on the date of each grant. It also provides for a fixed annual grant of 2,000 non-qualified stock options to each non-employee director the day after each year's annual meeting of shareholders. Through April 1, 2001, non-employee directors had been issued a total of 54,000 options which were canceled effective with the sale of the Adult Bedding and Bath division in July, 2001. During each of fiscal years 2004, 2003, and 2002, 14,000 non-qualified options were issued to non-employee directors. One-third of the non-qualified options become exercisable on each of the first three anniversaries of their issuances and the options expire on the fifth anniversary of their issuance.

A total of 1,930,000 shares of common stock had been authorized for issuance under the plan until July 21, 2003 when the number authorized for issuance was amended to be 1,292,513. At March 28, 2004, 577,900 options were reserved for future issuance. The options outstanding at March 28, 2004 expire through November 7, 2013, have a weighted average remaining contractual life of 7.85 years, and include 288,159 options exercisable at March 28, 2004 with a weighted average exercise price of \$0.96.

Options outstanding prior to and through the fiscal year ended March 31, 2002 also included options issued under the Company's 1976 Stock Option Plan, which was replaced by the 1995 Stock Option Plan. As of March 28, 2004, there were no options issued or outstanding under the 1976 Stock Option Plan.

The following table summarizes stock option activity during each of the most recent three fiscal years:

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Number of Shares	Exercise Price per Share	Weighted Average Exercise Price
Options outstanding, April 1, 2001	1,336,961	\$0.47 - 18.75	\$ 6.37
Options granted	63,750	0.18 - 0.41	0.23
Options canceled	(1,142,611)	0.47-18.75	6.69
Options outstanding, March 31, 2002	258,100	0.18-17.50	3.42
Options granted	328,000	0.71	0.71
Options canceled	(61,550)	0.18-17.50	7.18
Options outstanding, March 30, 2003	524,550	0.18-8.06	1.28
Options granted	174,750	0.65	0.65
Options exercised	2,500	0.18	0.18
Options canceled	118,900	0.18-8.06	2.73
Options outstanding, March 28, 2004	577,900	\$ 0.18-2.31	\$ 0.95

The following table summarizes information about stock options outstanding and exercisable at March 28, 2004 by range of exercise price:

Range of Exercise Prices	Number of Options Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price Of Options Outstanding	Number of Shares Exercisable	Weighted Avg. Exercise Price of Shares Exercisable
\$0.18 — \$0.41	47,000	5.94 years	\$ 0.25	42,338	\$ 0.23
0.65	164,750	9.19 years	0.65	—	—
0.71	246,250	8.13 years	0.71	125,921	0.71
1.06 — 2.31	119,900	6.16 years	1.47	119,900	1.47
	577,900			288,159	

Option holders may pay the option price of options exercised by surrendering to the Company shares of the Company's stock that the option holder has owned for at least six months prior to the date of such exercise. Option holders may also satisfy their required income tax withholding obligations upon the exercise of options by requesting the Company to withhold the number of otherwise issuable shares with a market value equal to such tax withholding obligation.

Note 10 — Major Customers

The table below indicates customers representing more than 10% of sales.

	Fiscal Year		
	2004	2003	2002
Toys R Us	36%	31%	26%
Wal-Mart Stores, Inc.	27%	30%	22%
Target Corporation	12%	10%	*

*Less than 10%.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 11 — Commitments and Contingencies

The following table summarizes the maturity or expiration dates of mandatory financial obligations and commitments for the following periods.

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
(in thousands)					
<i>Contractual Obligations</i>					
Long-Term Debt Obligations	\$34,036	\$ 2,000	\$ 7,495	\$24,541	\$ —
Capital Lease Obligations	54	14	36	4	—
Operating Lease Obligations	3,080	1,373	1,637	70	—
Purchase Obligations	755	732	23	1	—
Minimum Royalty Obligations	3,513	3,277	236	—	—
Total Contractual Obligations	\$41,438	\$ 7,396	\$ 9,427	\$24,616	\$ —

Total rent expense was \$1.7 million, \$1.6 million, and \$2.3 million for the years ended March 28, 2004, March 30, 2003, and March 31, 2002, respectively.

Total royalty expense, net of royalty income, was \$5.7 million, \$6.5 million, and \$7.5 million, for fiscal 2004, 2003, and 2002, respectively.

Note 12 — Segment and Related Information

The Company's principal segments include 1) adult home furnishing and juvenile products and 2) infant products. The adult home furnishing and juvenile products segment consists of bedroom and bath products (adult comforters, sheets and towels), throws and juvenile products (primarily Pillow Buddies®). The infant products segment consists of infant bedding, bibs, and infant soft goods. The Company tracks revenues and operating profit information for these two business segments. After the sale of the Adult Bedding and Bath division in July, 2001, the Company is primarily in the infant products segment.

The Company's manufacturing and distribution operations were also divided into adult home furnishing and juvenile and infant products. The Company's facilities in North Carolina (sold July, 2001) and Kentucky support adult home furnishing and juvenile products. The Company's facilities in Louisiana, California and Mexico support infant products. Assets, capital expenditures, depreciation and amortization are tracked for adult home furnishing and juvenile products as a whole and for infant products.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial information attributable to the Company's business segments for the years ended March 28, 2004, March 30, 2003, and March 31, 2002, is as follows (in thousands):

	2004	2003	2002
Net sales:			
Adult home furnishing products	\$ 2,377	\$ 2,557	\$ 23,227
Infant & juvenile products	83,850	92,178	94,364
	<u>\$86,227</u>	<u>\$94,735</u>	<u>\$117,591</u>
Income (loss) from operations:			
Adult home furnishing products	\$ (102)	\$ (109)	\$ (3,075)
Infant & juvenile products	7,538	7,057	8,097
	<u>\$ 7,436</u>	<u>\$ 6,948</u>	<u>\$ 5,022</u>
Assets:			
Adult home furnishing products	\$ 1,803	\$ 2,013	\$ 3,183
Infant & juvenile products	56,584	55,913	57,017
	<u>\$58,387</u>	<u>\$57,926</u>	<u>\$ 60,200</u>
Capital expenditures:			
Adult home furnishing products	\$ 9	\$ 1	\$ —
Infant & juvenile products	413	396	309
	<u>\$ 422</u>	<u>\$ 397</u>	<u>\$ 309</u>
Depreciation and amortization:			
Adult home furnishing products	\$ 63	\$ 65	\$ 195
Infant & juvenile products	468	659	1,830
	<u>\$ 531</u>	<u>\$ 724</u>	<u>\$ 2,025</u>

The key features used by decision makers are the level of operating income relative to revenues and assets. In addition, EBITDA is used as a key management tool.

Revenues for individual product groups within these business segments are summarized below.

	2004	2003	2002
Bedding & bath products	\$ —	\$ —	\$ 19,937
Throws	2,377	2,557	3,192
Infant and juvenile products	83,850	92,178	94,463
	<u>\$86,227</u>	<u>\$94,735</u>	<u>\$117,592</u>

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CROWN CRAFTS, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

Selected Quarterly Financial Information

UNAUDITED QUARTERLY FINANCIAL INFORMATION

in thousands, except per share amounts

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year ended March 28, 2004:				
Net sales	\$18,465	\$22,001	\$20,717	\$25,044
Gross profit	4,161	4,872	4,489	6,072
Net income (loss)	(114)	924	719	1,574
Basic net income (loss) per share	(0.01)	0.10	0.08	0.17
Diluted net income (loss) per share	(0.01)	0.04	0.03	0.07
Fiscal Year ended March 30, 2003:				
Net sales	\$17,928	\$28,399	\$21,636	\$26,772
Gross profit	3,619	6,768	4,613	6,420
Net income (loss) (1)	(693)	2,079	(991)	2,092
Basic net income (loss) per share	(0.07)	0.22	(0.11)	0.22
Diluted net income (loss) per share	(0.07)	0.09	(0.11)	0.10

- (1) In the third quarter of fiscal year 2003, the Company recorded a restructuring charge of \$1.8 million related to the closure of one of the Company's subsidiaries as discussed in Note 4, Restructuring Charge.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 33-64499 of Crown Crafts, Inc. and subsidiaries on Form S-8 of our report dated June 4, 2004, appearing in this Annual Report on Form 10-K of Crown Crafts, Inc. and subsidiaries for the year ended March 28, 2004.

New Orleans, Louisiana

June 14 2004

CERTIFICATION

I, E. Randall Chestnut, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended March 28, 2004 of Crown Crafts, Inc.;
2. 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;
3. 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;
4. The registrant's other certifying officers 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)) for the registrant and we 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) 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
 - (c) 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 was materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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 function):
 - (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: June 16, 2004

/s/ E. Randall Chestnut

E. Randall Chestnut
Chairman of the Board, President & Chief Executive Officer

CERTIFICATION

I, Amy Vidrine Samson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended March 28, 2004 of Crown Crafts, Inc.;
2. 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;
3. 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;
4. The registrant's other certifying officers 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)) for the registrant and we 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) 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
 - (c) 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 was materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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 function):
 - (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: June 16, 2004

/s/ Amy Vidrine Samson

Amy Vidrine Samson
Vice President & Chief Financial Officer

SECTION 1350 CERTIFICATION

I, E. Randall Chestnut, Chairman of the Board, President and Chief Executive Officer of Crown Crafts, Inc. (the "Company"), do hereby certify, in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the period ending March 28, 2004 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 15 U.S.C. §§78m or 78o(d); and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 16, 2004

/s/ E. Randall Chestnut

E. Randall Chestnut, Chairman of the Board,
President and Chief Executive Officer

SECTION 1350 CERTIFICATION

I, Amy Vidrine Samson, Chief Financial Officer of Crown Crafts, Inc. (the "Company"), do hereby certify, in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the period ending March 28, 2004 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 15 U.S.C. §§78m or 78o(d); and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 16, 2004

/s/ Amy Vidrine Samson

Amy Vidrine Samson, Chief Financial Officer

EXHIBIT 10.29

AMENDED AND RESTATED SEVERANCE PROTECTION AGREEMENT

THIS AMENDED AND RESTATED SEVERANCE PROTECTION AGREEMENT (the "Agreement") made as of the 20th day of April, 2004 (the "Effective Date"), by and between CROWN CRAFTS, INC., a Delaware corporation (the Company), and E. RANDALL CHESTNUT, an individual resident of the State of Louisiana (the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive have entered into that certain Severance Protection Agreement dated as of September 5, 1998 (the "Original Agreement"); and

WHEREAS, the Company and the Executive now wish to amend and restate the Original Agreement in its entirety in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. TERM OF AGREEMENT. This Agreement shall continue in effect until the second anniversary of the Effective Date; provided, however, that commencing on the date one (1) year after the date hereof and on each annual anniversary thereafter (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), the term of this Agreement shall automatically be extended so as to terminate two (2) years from the Renewal Date, unless either the Company or the Executive shall have given written notice to the other at least ninety (90) days prior thereto that the term of this Agreement shall not be so extended; and provided further, however, that notwithstanding any such notice by the Company not to extend, in the event that prior to the expiration of this Agreement a Change of Control occurs, then under no circumstances shall this Agreement terminate prior to the expiration of two (2) years after the occurrence of such Change in Control.

2. CERTAIN DEFINITIONS.

2.1. ACCRUED COMPENSATION. For purposes of this Agreement, "Accrued Compensation" shall mean an amount which shall include all amounts earned or accrued through the "Termination Date" (as hereinafter defined) but not paid as of the Termination Date, including, without limitation, (i) base salary, (ii) reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the Company during the period ending on the Termination Date, (iii) vacation pay, (iv) bonuses and incentive compensation (other than the "Pro Rata Bonus" (as hereinafter defined)), and (v) all other amounts to which the Executive is entitled under any compensation plan of the Company at the times such payments are due.

2.2. BASE AMOUNT. For purposes of this Agreement, "Base Amount" shall mean the greater of the Executive's annual base salary at the highest rate in effect (i) on, or at any time during the ninety (90) day period prior to, the Termination Date or (ii) at any time during the ninety (90) day period prior to a Change in Control and shall include all amounts of the Executive's base salary that are deferred under any qualified and non-qualified employee benefit plans of the Company or any other agreement or arrangement.

2.3. BONUS AMOUNT. For purposes of this Agreement, "Bonus Amount" shall mean the highest annual bonus paid or payable to the Executive in respect of any of the five (5) full fiscal years ended immediately prior to the Termination Date or, if greater, the three (3) full fiscal years ended immediately prior to a Change in Control, including, without limitation, any bonus or portion thereof earned but deferred (and annualized for any fiscal year consisting of less than twelve (12) full months or during which the Executive was employed for less than twelve (12) full months).

2.4. CAUSE. For purposes of this Agreement, a termination of employment is for "Cause" if the Executive has been convicted of a felony or a felony prosecution has been brought against the Executive or if the termination is evidenced by a resolution adopted in good faith by two-thirds (2/3) of the Board of Directors of the Company (the "Board") that the Executive (i)

intentionally and continually failed substantially to perform his reasonably assigned duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness or from the Executive's assignment of duties that would constitute "Good Reason" as hereinafter defined) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Executive specifying the manner in which the Executive has failed substantially to perform, or (ii) intentionally engaged in illegal conduct or gross misconduct which results in material economic harm to the Company; provided, however, that (A) where the Executive has been terminated for Cause because a felony prosecution has been brought against him and no conviction or plea of guilty or plea of nolo contendere or its equivalent results therefrom, then said termination shall no longer be deemed to have been for Cause and the Executive shall be entitled to all the benefits provided by Section 3.1.1 hereof from and after the date on which the prosecution of the Executive has been dismissed or a judgment of acquittal has been entered, whichever shall first occur; and (B) no termination of the Executive's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Executive a copy of a written notice setting forth that the Executive was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Executive shall have been provided an opportunity to be heard in person by the Board (with the assistance of the Executive's counsel if the Executive so desires). No act, nor failure to act, on the Executive's part, shall be considered "intentional" unless the Executive has acted or failed to act, with a lack of good faith and with a lack of reasonable belief that the Executive's action or failure to act was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of any senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. Any termination of the Executive's employment by the Company hereunder shall be deemed to be a termination other than for Cause unless it meets all requirements of this Section 2.4.

2.5. CHANGE IN CONTROL. For purposes of this Agreement, a "Change in Control" shall mean any of the following:

2.5.1. An acquisition other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as

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amended (the "Exchange Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13D-3 promulgated under the Exchange Act) of twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary"), (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

2.5.2. The individuals who as of the Effective Date are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common shareholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

2.5.3. Approval by shareholders of the Company of:

(i) A merger, consolidation or reorganization involving the Company, unless such merger, consolidation or reorganization is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a merger, consolidation or reorganization of the Company where:

- (A) the shareholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least a majority of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,
- (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement

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providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors of the Surviving Corporation, or a corporation beneficially directly or indirectly owning a majority of the Voting Securities of the Surviving Corporation, and

- (C) no Person other than (i) the Company, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary, or (iv) any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of twenty-five percent (25%) or more of the then outstanding Voting Securities, has Beneficial Ownership of twenty-five percent (25%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities;

(ii) A complete liquidation or dissolution of the Company; or

(iii) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

2.6. DISABILITY. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties with the Company for a period of one hundred eighty (180) consecutive days and the Executive has not returned to his full

time employment prior to the Termination Date as stated in the "Notice of Termination" (as hereinafter defined).

2.7. GOOD REASON.

2.7.1. For purposes of this Agreement, "Good Reason" shall mean a good faith determination by the Executive, in the Executive's sole and absolute judgment, that any one or more of the following events or conditions has occurred, without the Executive's express written consent, after a Change in Control:

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(i) the assignment to the Executive of any duties inconsistent with the Executive's position (including, without limitation, status, titles and reporting requirements), authority, duties or responsibilities as in effect immediately prior to the Change in Control, or any other action by the Company that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose isolated and inadvertent action not taken in bad faith and remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) a reduction by the Company in the Executive's base salary as in effect immediately prior to the Change in Control or as the same may be increased from time to time or a change in the eligibility requirements or performance criteria under any bonus, incentive or compensation plan, program or arrangement under which the Executive is covered immediately prior to the Change in Control which adversely affects the Executive;

(iii) any failure to pay the Executive any compensation or benefits to which he is entitled within five (5) days of the date due;

(iv) a failure to increase the Executive's base salary at least annually at a percentage of base salary no less than the average percentage increases (other than increases resulting solely from the Executive's promotion) granted to the Executive during the three (3) full fiscal years ended prior to a Change in Control (or such less number of full fiscal years during which the Executive was employed);

(v) the Company's requiring the Executive to be based anywhere other than within twenty-five (25) miles of the Executive's job location at the time of the Change in Control, except for reasonably required travel on the Company's business which is not greater than such travel requirements prior to the Change in Control;

(vi) without replacement by a plan providing benefits to the Executive substantially equivalent to or greater than those discontinued, the failure by the Company to continue in effect, within its maximum stated term, any pension, bonus, incentive, stock ownership, purchase, option, life insurance, health, accident, disability, or any other employee benefit plan, program or arrangement, in which the Executive is participating at the time of the Change in Control, or the taking of any action by the Company that would adversely affect the Executive's participation or materially reduce the Executive's benefits under any of such plans;

(vii) the taking of any action by the Company that would materially adversely affect the physical conditions existing at the time of the Change in Control in or under which the Executive performs his

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employment duties, provided that the Company may take action with respect to such conditions after a Change in Control so

long as such conditions are at least commensurate with the conditions in or under which an officer of the Executive's status would customarily perform his employment duties;

(viii) the insolvency or the filing (by any party, including the Company) of a petition for bankruptcy by the Company;

(ix) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.4 hereof; or

(x) any breach by the Company of any provision of this Agreement.

2.7.2. Any event described in subsection 2.7.1(i) through (x) which occurs prior to a Change in Control but which the Executive reasonably demonstrates (i) was at the request of a third party who has indicated an intention, or taken steps reasonably calculated, to effect a Change in Control or (ii) otherwise arose in connection with, or in anticipation of, a Change in Control which actually occurs, shall constitute Good Reason for purposes hereof, notwithstanding that it occurred prior to a Change in Control.

2.7.3. The Executive's right to terminate his employment pursuant to this Section 2.7 shall not be affected by his incapacity due to physical or mental illness.

2.8. NOTICE OF TERMINATION. For purposes of this Agreement, "Notice of Termination" shall mean a written notice of termination from the Company, following a Change in Control, of the Executive's employment which indicates the specific termination provision in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

2.9. PRO RATA BONUS. For purposes of this Agreement, "Pro Rata Bonus" shall mean an amount equal to the Bonus Amount multiplied by a fraction the numerator of which is the number of days in the fiscal year through the Termination Date and the denominator of which is 365.

2.10. TERMINATION DATE. For purposes of this Agreement, "Termination Date" shall mean, in the case of the Executive's death, his date of death, in the case of Good Reason or termination by the Executive during the Window Period (as hereinafter defined), the last day of employment, and in all other cases (other than in the case of a successor or an assignee, which is provided for in Section 6.1 hereof), the date specified in the Notice of Termination; provided, however, that if the Executive's employment is terminated by the Company for Cause or due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive; and provided further that in the case of Disability the Executive shall not have returned to the full-time performance of his duties during such period of at least thirty (30) days.

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3. TERMINATION OF EMPLOYMENT.

3.1. If, during the term of this Agreement, the Executive's employment with the Company shall be terminated within two (2) years following a Change in Control under any of the following circumstances, the Executive shall be entitled to the following compensation and benefits:

3.1.1. If the Executive's employment with the Company shall be terminated (i) by the Company for Cause or Disability, (ii) by reason of the Executive's death, or (iii) by the Executive other than for Good Reason or other than during the 90-day period commencing 90 days after the occurrence of a Change in Control (the "Window Period"), the Company shall pay to the Executive all Accrued Compensation.

3.1.2. If the Executive's employment with the Company shall be terminated for any reason other than as specified in

subsection 3.1.1 (including, without limitation, by the Executive for Good Reason or for any reason during the Window Period), the Executive shall be entitled to the following:

(i) the Company shall pay the Executive all Accrued Compensation and a Pro-Rata Bonus;

(ii) the Company shall pay the Executive as severance pay and in lieu of any further compensation for periods subsequent to the Termination Date an amount in cash equal to three (3) times the sum of (A) the Base Amount and (B) the Bonus Amount;

(iii) for three (3) years or such longer period as may be provided by the terms of the appropriate program, practice or policy (the "Continuation Period"), the Company shall, at its expense, continue on behalf of the Executive and his dependents and beneficiaries the life insurance, disability, medical, dental and hospitalization benefits generally made available to the Company's executive salaried employees at any time during the 90-day period prior to the Change in Control or at any time thereafter, provided that (A) the Company's obligation hereunder with respect to the foregoing benefits shall be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans, in which case the Company may reduce the coverage of any benefits it is required to provide the Executive hereunder as long as the aggregate coverages and benefits of the combined benefit plans is no less favorable to the Executive than the coverages and benefits required to be provided hereunder, and (B) this clause (iii) shall not be interpreted so as to limit any benefits to which the Executive or his dependents or beneficiaries may be entitled under any of the Company's employee benefit plans, programs or practices following the Executive's termination of employment, including, without limitation, retiree medical and life insurance benefits;

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(iv) the Company shall pay to the Executive in a single payment an amount in cash equal to the excess, if any, of (A) the lump sum actuarial equivalent of the aggregate retirement benefit of the Executive would have been entitled to receive under the Company's supplemental and other retirement plans, if any, had (w) the Executive remained employed by the Company for an additional three (3) complete years of credited service, (x) his annual compensation during such period been equal to his Base Salary and the Bonus Amount, (y) the Company made employer contributions to each defined contribution plan, if any, in which the Executive was a participant at the Termination Date (in an amount equal to the amount of such contribution for the plan year immediately preceding the Termination Date) and (z) he been fully (100%) vested in his benefit under each retirement plan, if any, in which the Executive was a participant, over (B) the lump sum actuarial equivalent of the aggregate retirement benefit, if any, the Executive is actually entitled to received under such retirement plans;

(v) (A) the restrictions on any outstanding incentive awards (including, without limitation, restricted stock and granted performance shares or units) under any incentive plan or arrangement shall lapse and such incentive award shall become 100% vested, all stock options and stock appreciation rights granted to the Executive shall become immediately exercisable and shall become 100% vested, and all performance units granted to the Executive shall become 100% vested, and

(B) the Executive shall have the right to require the Company to purchase, for cash, within five (5) days of the Executive's Termination Date, any shares of stock or shares purchased upon exercise of any options, at a price equal to the fair market value of such shares on the date of purchase by the Company;

(vi) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive, in his sole discretion, and which shall include the provision of reasonable office space and secretarial assistance, provided that the Company's responsibility under this Section 3.1.2(vi) shall be limited to \$30,000; and

(vii) the Company shall reimburse the Executive (upon presentation by the Executive of a statement for such expenses) for reasonable moving expenses, if any, incurred by the Executive in connection with any such termination except to the extent such expenses are paid by the Executive's new employer, if any.

3.1.3. The amounts provided for in subsections 3.1.1 and 3.1.2(i), (ii) and (iv) shall be paid (A) in a lump sum in cash within five (5) days of the Executive's Termination Date, or (B) at the Executive's option made pursuant to a written election delivered to the Company before the Change in Control, in three

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(3) substantially equal annual payments commencing no later than five (5) days after the Executive's Termination Date. Should the Executive elect to receive such payments in installments, the amount of the Company's outstanding obligation to the Executive shall be credited with interest on a monthly basis at a rate equal to the "Applicable Federal Rate," as defined in Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code"), then in effect.

3.1.4. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment, except as provided in subsection 3.1.2(iii).

3.2. The severance pay and benefits provided for in this Section 3 shall be in lieu of any other severance or termination pay to which the Executive may be entitled under any Company severance or termination plan, program, practice or arrangement.

3.3. The Executive's entitlement to any other compensation or benefits shall be determined in accordance with the Company's employee benefit plans and other applicable programs, policies and practices then in effect.

4. NOTICE OF TERMINATION. Following a Change in Control, any purported termination of the Executive's employment by the Company shall be communicated by Notice of Termination to the Executive. For purposes of this Agreement, no such purported termination shall be effective without such Notice of Termination.

5. EXCISE TAX PAYMENTS.

5.1. Notwithstanding anything contained in this Agreement to the contrary and without regard to whether the Executive's employment with the Company has terminated, in the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) to the Executive or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his employment with the Company or a change in ownership or effective control of the Company or of a substantial portion of its assets (a "Payment" or "Payments"),

would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of any Excise Tax or other tax (including, without limitation, any interest or penalties payable with respect thereto), imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

5.2. An initial determination as to whether a Gross-Up Payment is required pursuant to this Section 5 and the amount of such Gross-Up Payment shall be made by a nationally-recognized accounting firm selected by the Company and reasonably acceptable to the Executive (the "Accounting Firm"). The Accounting Firm shall provide its determination (the

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"Determination"), together with detailed supporting calculations and documentation, to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such other time as requested by the Company or by the Executive (provided the Executive reasonably believes that any of the Payments may be subject to the Excise Tax), and if the Accounting Firm determines that no Excise Tax is payable by the Executive with respect to a Payment or Payments, it shall furnish the Executive with an opinion reasonably acceptable to the Executive that no Excise Tax will be imposed with respect to any such Payment or Payments. Within five (5) days of the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the "Dispute"). The Gross-Up Payment, if any, as determined pursuant to this Section 5.2 shall be paid by the Company to the Executive within five (5) days of the receipt of the Accounting Firm's determination. The existence of the Dispute will not in any way affect the right of the Executive to receive the Gross-Up Payment in accordance with the Determination. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Executive, subject to the application of Section 5.3.

5.3. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment"), or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred (i) upon notice (formal or informal) to the Executive from any governmental taxing authority that the tax liability of the Executive (whether in respect of the then current taxable year of the Executive or in respect of any prior taxable year of the Executive) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment, (ii) upon a determination by a court, (iii) by reason of a determination by the Company (which shall include the position taken by the Company, or together with its consolidated group, on its federal income tax return) or (iv) upon the resolution to the satisfaction of the Executive of the Dispute. If an Underpayment occurs, the Executive shall promptly notify the Company and the Company shall pay to the Executive at least five (5) days prior to the date on which the applicable government taxing authority has requested payment, an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason a failure to file timely a tax return or pay taxes shown due on a return) imposed on the Underpayment. An Excess Payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments with respect to which the Executive had previously received a Gross-Up Payment. A Final Determination shall be deemed to have occurred when the Executive has received from the applicable government taxing authority a refund of taxes or other reduction in his tax liability by reason of the Excess Payment and upon either (i) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds the Executive and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired, or (ii) the statute of limitations with respect to the Executive's applicable tax return has expired. If an Excess Payment is determined to have been made, the amount of the Excess Payment shall be treated as a loan by the Company to the Executive and the Executive shall pay

to the Company on demand (but not less than ten (10) days after the determination of such Excess Payment) the amount of the Excess Payment plus

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interest at an annual rate equal to the rate provided for in Section 1274(b)(2)(B) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to the Executive until the date of repayment to the Company.

5.4. Notwithstanding anything contained in this Agreement to the contrary, in the event that, according to the Determination, an Excise Tax is imposed on any Payment or Payments, the Company shall pay to the applicable government taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Company has actually withheld from the Payment or Payments.

6. SUCCESSORS: BINDING AGREEMENT.

6.1. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) or assign, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession or assignment shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession or assignment becomes effective shall be deemed the Termination Date hereunder. As used in the Agreement, Company shall mean the Company as hereinbefore defined and any successor or assign that executes and delivers the agreement provided for in this Section 6.1 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6.2. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devise, legatee or other designee or, if there be no such designee, to the Executive's estate.

7. FEES AND EXPENSES. The Company shall pay all legal fees and related expenses incurred by the Executive as they become due as a result of or in connection with (i) the Executive's termination of employment (including, without limitation, all such fees and expenses, if any, incurred in contesting or disputing any such termination of employment), (ii) the Executive seeking to obtain or enforce any right or benefit provided by this Agreement (including, without limitation, any such fees and expenses incurred in connection therewith) or by any other plan or arrangement maintained by the Company under which the Executive is or may be entitled to receive benefits, (iii) the Executive's hearing before the Board as contemplated in Section 2.4 of this Agreement, and (iv) any tax audit or proceeding to the extent attributable to the application of any Excise Tax with respect to any Payment or Payments hereunder, plus in each case interest on any delayed payment at the "Applicable Federal Rate,"

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as defined in Section 1274(d) of the Code, as then in effect; provided that the circumstances set forth in clauses (i) and (ii) of this Section 7 (other than as a result of the Executive's termination of employment under circumstances described in Section 2.7.2) occurred on or after a Change in Control.

8. NOTICES. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including, without limitation, the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be

directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

9. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company (except for any severance or termination policies, plans, programs or practices) and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company (except for any severance or termination agreement). Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

10. SETTLEMENT OF CLAIMS. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others. If the Company effects any setoff in violation of the immediately preceding sentence, then, in addition to any other amounts payable to the Executive hereunder, the Company and the Executive agree that, as reasonable liquidated damages therefor, the Executive will be entitled to recover from the Company an amount equal to twice the amount of such setoff.

11. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. GOVERNING LAW. This Agreement shall be governed by and constructed and enforced in accordance with the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.

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13. SEVERABILITY. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the provisions hereof.

14. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. This Agreement shall constitute an amendment and restatement of the Original Agreement in its entirety. It shall not be necessary to make reference to the Original Agreement, the terms of which are entirely superseded by the provisions of this Agreement.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

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IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and has caused its proper corporate seal to be affixed hereto, and the Executive has executed and delivered this Agreement, all as of the day and year first above written.

CROWN CRAFTS, INC.

[CORPORATE SEAL]

ATTEST:

By: /s/ Amy Vidrine Samson

Name: AMY VIDRINE SAMSON

Title: VP, CFO

/s/ Olivia Woodyear

Secretary

/s/ E. Randall Chestnut

E. RANDALL CHESTNUT

EXHIBIT 10.30

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), is made and entered into as of the 20th day of April, 2004 (the "Effective Date") by and between AMY VIDRINE SAMSON, a resident of the State of Louisiana ("Employee"), and Crown Crafts, Inc., a Delaware corporation ("Employer").

WITNESSETH:

WHEREAS, Employer and Employee have entered into that certain Employment Agreement dated as of July 23, 2001 (the "Original Agreement"); and

WHEREAS, Employer and Employee wish to amend and restate the Original Agreement in its entirety in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the employment of Employee by Employer, of the premises and the mutual promises and covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Employment and Duties. Subject to the terms and conditions hereof, Employer hereby agrees to continue to employ Employee during the term of this Agreement to serve as Chief Financial Officer of Employer and to perform such other duties and responsibilities as customarily performed by persons acting in such capacity. During the term of this Agreement, Employee will devote her full time and effort to her duties hereunder.

2. Term. Subject to the provisions regarding Termination as set forth in Section 10 of this Agreement, the period of Employee's employment under this Agreement shall end on April 30, 2005 (the "Initial Period") unless Employee dies before the end of the Initial Period, provided that the term of this Agreement shall after April 30, 2004 be extended automatically on the 1st day of each month for one additional month so that this Agreement shall always be for a full one-year period unless the Employer or the Employee shall affirmatively decide and notify the other to the contrary in writing of its or her intention that this Agreement shall not be so extended, in which event this Agreement shall terminate at the end of the one year period following such notice.

3. Compensation. For all services to be rendered by Employee during the term of this Agreement, Employer shall pay Employee in accordance with the terms set forth in Exhibit A, net of applicable withholdings, payable in bi-weekly installments except all bonuses, if any, will be paid annually in July of each year.

4. Expenses. So long as Employee is employed hereunder, Employee is entitled to receive reimbursement for, or seek payment directly by Employer of, all reasonable expenses which are consistent with the normal policy of Employer in the performance of Employee's duties hereunder, provided that Employee accounts for such expenses in writing.

5. Employee Benefits. So long as Employee is employed hereunder, Employee shall be entitled to participate in the various employee benefit programs available to similarly-situated employees which are adopted by Employer from time to time.

6. Vacation. Employee shall be entitled to fifteen (15) days annual vacation.

7. Confidentiality. In Employee's position as an employee of Employer, Employee has had and will have access to confidential information, trade secrets and other proprietary information of vital importance to Employer and has developed and will continue to develop relationships with customers, employees and others who deal with Employer which are of value to Employer. Employer requires, as a condition to Employee's employment with Employer, that Employee agree to certain restrictions on Employee's use of the proprietary information and valuable relationships developed during Employee's employment with Employer. In consideration of the terms and conditions contained herein, the parties hereby agree as follows:

7.1 Employer and Employee mutually agree and acknowledge that Employer may entrust Employee with highly sensitive, confidential, restricted and proprietary information concerning various Business Opportunities (as hereinafter defined), customer lists, and personnel matters. Employee acknowledges that she shall bear a fiduciary responsibility to Employer to protect such information from use or disclosure that is not necessary for the performance of Employee's duties hereunder, as an essential incident of Employee's employment with Employer.

7.2 For the purposes of this Section 7, the following definitions shall apply:

7.2.1 "Trade Secret" shall mean the identity and addresses of customers of Employer, the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula or improvement that is valuable and secret (in the sense that it is not generally known to competitors of Employer) and which constitutes a "trade secret" under Delaware law pursuant to the Delaware Uniform Trade Secrets Act.

7.2.2 "Confidential Information" shall mean any data or information, other than Trade Secrets, which is material to Employer and not generally known by the public. Confidential Information shall include, but not be limited to, Business Opportunities of Employer (as hereinafter defined), the details of this Agreement, Employer's business plans and financial statements and projections, information as to the capabilities of Employer's employees, their respective salaries and benefits and any other terms of their employment and the costs of the services Employer may offer or provide to the customers it serves, to the extent such information is material to Employer and not generally known by the public.

7.2.3 "Business Opportunities" shall mean all activities of the type conducted, authorized, offered, or provided to the Employer by Employee prior to termination of her employment hereunder, including the duties performed by the Employee under Section 1, "Employment and Duties", of this Agreement. For purpose of reference, such activities as of the Effective Date include the business of manufacturing, marketing and distribution of infant

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bedding, infant blankets, infant accessories, infant bibs, infant bath items and infant gift sets and the Employer's operations and activities related thereto.

7.2.4 Notwithstanding the definitions of Trade Secrets, Confidential Information, and Business Opportunities set forth above, Trade Secrets, Confidential Information, and Business Opportunities shall not include any information:

- (i) that is or becomes generally known to the public;
- (ii) that is already known by Employee or is developed by Employee after termination of employment through entirely independent efforts;
- (iii) that Employee obtains from an independent source having a bona fide right to use and disclose such information;
- (iv) that is required to be disclosed by law, except to the extent eligible for special treatment under an appropriate protective order; or
- (v) that Employer's Board of Directors approves for release.

7.3 Employee shall not, without the prior approval of Employer's Board of Directors, during her employment with Employer and for so long thereafter as the information or data remain Trade Secrets, use or disclose, or negligently permit any unauthorized person who is not an employee of Employer to use, disclose, or gain access to, any Trade Secrets.

8. Observance of Security Measures. During Employee's employment with Employer, Employee is required to observe all security measures adopted to protect Trade Secrets, Confidential Information and Business Opportunities.

9. Return of Materials. Upon the request of Employer and, in any event, upon the termination of her employment with Employer, Employee shall deliver to Employer all memoranda, notes, records, manuals or other documents, including all copies of such materials containing Trade Secrets or Confidential Information, whether made or compiled by Employee or furnished to her from any source by virtue of her employment with Employer.

10. Termination.

10.1 During the term of this Agreement, Employee's employment may be terminated (i) at the election of Employer for Cause; (ii) at Employee's election for Good Reason; (iii) upon Employee's death; (iv) at the election of either party, upon Employee's disability resulting in an inability to perform the duties described in Section 1 of this Agreement for a period of 180 consecutive days; (v) as set forth in Section 13 of this Agreement; or (vi) by mutual agreement of Employer and Employee

10.2 Cause. For purposes of this Agreement, a termination of employment is for "Cause" if the Employee has been convicted of a felony or if the termination is evidenced by a resolution adopted in good faith by two-thirds (2/3) of the Board that the Employee (i)

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intentionally and continually failed substantially to perform her reasonably assigned duties with the Employer (other than a failure resulting from the Employee's incapacity due to physical or mental illness or from the Employee's assignment of duties that would constitute "Good Reason" as hereinafter defined) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Employee specifying the manner in which the Employee has failed substantially to perform, or (ii) intentionally engaged in illegal conduct or gross misconduct which results in material economic harm to the Employer; provided, however, that no termination of the Employee's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Employee a copy of a written notice setting forth that the Employee was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Employee shall have been provided an opportunity to be heard in person by the Board (with the assistance of the Employee's counsel if the Employee so desires). No act, or failure to act, on the Employee's part, shall be considered "intentional" unless the Employee has acted or failed to act with a lack of good faith and with a lack of reasonable belief that the Employee's action or failure to act was in the best interests of the Employer. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of any senior officer of the Employer or based upon the advice of counsel for the Employer shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Employer. Any termination of the Employee's employment by the Employer hereunder shall be deemed to be a termination other than for Cause unless it meets all requirements of this Section 10.2

10.3 For purposes of this Agreement, "Good Reason" shall mean a good faith determination by the Employee, in the Employee's sole and absolute judgment, that any one or more of the following events or conditions has occurred, without the Employee's express written consent:

(i) The assignment to the Employee of any duties inconsistent with the Employee's position (including, without limitation, status, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Employer that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose isolated and inadvertent action not taken in bad faith and remedied by the Employer promptly after receipt of notice thereof given by the Employee;

(ii) A material reduction by the Employer of the Employee's base salary as the same may be increased from time to time, or a change in the eligibility requirements or performance criteria under any bonus, incentive or compensation plan, program or arrangement under which the Employee is covered which adversely affects the Employee;

(iii) any failure to pay the Employee any compensation or benefits to which she is entitled within five (5) days of the date due;

(iv) the Employer's requiring the Employee to be based anywhere other than within fifty (50) miles of the Employee's job location, except for reasonably required travel on the Employer's business which is not materially increased;

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(v) without replacement by a plan providing benefits to the Employee substantially equivalent to or greater than those discontinued, the failure by the Employer to continue in effect, within its maximum stated term, any pension, bonus, incentive, stock ownership, purchase, option, life insurance, health, accident disability, or any other employee benefit plan, program or arrangement, in which the Employee participates, or the taking of any action by the Employer that would adversely affect the Employee's participation or materially reduce the Employee's benefits under any of such plans;

(vi) the taking of any action by the Employer that would materially adversely affect the physical conditions in or under which the Employee performs her employment duties, provided that the Employer may take action with respect to such conditions so long as such conditions are at least commensurate with the conditions in or under which an officer of the Employee's status would customarily perform her employment duties;

(vii) the insolvency or the filing of a petition for bankruptcy by the Employer;

(viii) any purported termination of the Employee's employment for Cause by the Employer which does not comply with the terms of Section 10.2 hereof; or

(ix) any breach by the Employer of any material provision of this Agreement.

The Employee's right to terminate her employment pursuant to this Section 10.3 shall not be affected by her incapacity due to physical or mental illness.

10.4 If this Agreement is terminated either pursuant to Cause, Employee's death or Employee's disability, Employee shall receive no further compensation or benefits, other than Employee's salary and other compensation as accrued through the date of such termination.

10.5 If this Agreement is terminated at Employer's election without Cause or at the election of Employee for Good Reason or is not expressly assumed by any acquirer of the Company whether by purchase, merger, consolidation or otherwise, Employee shall receive what she would have received under Section 13.2 hereof following a Change in Control, provided that, rather than being paid in a lump sum, Employee's salary shall be paid on a bi-weekly basis during the Restricted Period, as defined in Section 12.1 hereof.

11. Notices. All notice provided for herein shall be in writing and shall be deemed to be given when delivered in person or deposited in the United States Mail, registered or certified, return receipt requested, with proper postage prepaid and addressed as follows:

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Employer: Crown Crafts, Inc.
P. O. Box 1028
Gonzales, Louisiana 70707
Attn: E. Randall Chestnut, President
and Chief Executive Officer

with a copy to: Rogers & Hardin LLP
2700 International Tower
229 Peachtree Street
Atlanta, Georgia 30303
Attn: Steven E. Fox, Esquire

Employee: Amy Vidrine Samson
P. O. Box 1028
Gonzales, Louisiana 70707

12. Restrictive Covenants

12.1 For purposes of this Agreement, the following terms shall have the following respective meanings:

"Competing Business" means a business that, wholly or partly, directly or indirectly, engages in manufacturing, marketing and distribution of infant bedding, infant blankets, infant accessories, infant bibs, infant bath items or infant gift sets.

"Competitive Position" means: (A) Employee's direct or indirect equity ownership (excluding ownership of less than one percent (1%) of the outstanding common stock of any publicly held corporation) or control of any portion of any Competing Business; (B) Employee serving as a director, officer, consultant, lender, joint venturer, partner, agent, advisor or independent contractor of or to any Competing Business (except where Employee's duties would relate to divisions or activities which do not compete with the Employer); or (C) any employment arrangement between Employee and any Competing Business whereby Employee is required to perform services for the Competing Business substantially similar to those that Employee performed for the Employer.

"Restricted Territory" means the area within a 35 mile radius of the city limits of the cities listed on Schedule 12, attached hereto.

"Restricted Period" means a period of time that is one (1) year following termination of this Agreement.

12.2 Employee agrees that she will not, without the prior written consent of the Board, either directly or indirectly, alone or in conjunction with any other person or entity, accept, enter into or attempt to enter into a Competitive Position in the Restricted Territory at any time during her employment with the Employer and during the Restricted Period.

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12.3 Employee agrees that she will not, without the prior written consent of the Board, either directly or indirectly, alone or in conjunction with any other person or entity, solicit, entice or induce any customer of the Employer (or any actively sought or prospective customer of the Employer) in which Employee had direct or indirect contact during the Term for or on behalf of any Competing Business in the Restricted Territory at any time during her employment with the Employer and during the Restricted Period.

12.4 Employee agrees that she will not, without the prior written consent of the Board, either directly or indirectly, alone or in conjunction with any other person or entity, solicit or attempt to solicit any "key or material" employee, consultant, contractor or other personnel of the Employer in the Restricted Territory to terminate, alter or lessen that party's affiliation with the Employer or to violate the terms of any agreement or understanding between such employee, consultant, contractor or other person and the Employer at any time during her employment with the Employer or for a period of two years thereafter. For purposes of this subsection (d), "key or material" employees, consultants, contractors or other personnel shall mean those such persons or entities who have direct access to or have had substantial exposure to Confidential Information or Trade Secrets.

12.5 Notwithstanding any expiration or termination of the Term, the provisions of this Section 12 shall survive and remain in full force and effect, as shall any other provision hereof that, by its terms or reasonable interpretation thereof, sets forth obligations that extend beyond the termination of this Agreement.

13. Change in Control.

13.1 "Change in Control" shall mean:

13.1.1 any transaction, whether by merger, consolidation, asset sale, tender offer, reverse stock split, or otherwise, which results in the acquisition or beneficial ownership (as such term is defined under rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) by any person or entity or any group of persons or entities acting in concert, of 25% or more of the outstanding shares of common stock of Employer; provided,

that, in determining whether a Change in Control has occurred, shares acquired by Bank of America, N.A., The Prudential Insurance Company of America and Wachovia Bank, N.A. pursuant to that certain Subordinated Note and Warrant Purchase Agreement dated as of July 23, 2001 shall not be included.

13.1.2 the sale of all or substantially all of the assets of Employer; or

13.1.3 the liquidation of Employer.

13.2 If there occurs a Change in Control, and if at the time of such Change in Control, E. Randall Chestnut ("Chestnut") is not employed by Employer or any of its affiliates (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended), or if there occurs a Change in Control and if Chestnut is so employed at the time of such Change in Control and at any time during the 180-day period immediately following the occurrence of such Change

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in Control, Chestnut shall no longer be employed by Employer or any of its affiliates for whatever reason, then, and in any such event, Employee shall be entitled within ninety (90) days after the date of such Change in Control if Chestnut is not employed by Employer or any of its affiliates on such date, or within ninety (90) days after the first date on which Chestnut is no longer employed by Employer or any of its affiliates if Chestnut is employed by Employer or any of its affiliates on the date of such Change in Control, to deliver to Employer written notice of termination of this Agreement, whereupon Employer shall pay to Employee a lump sum cash payment in an amount equal to the sum of (i) the then current compensation and benefits, including, without limitation, salary, all perquisites, and all other forms of compensation other than bonuses that would be remaining under the applicable terms of the Agreement then in effect for the greater of the remaining term of this Agreement or one (1) year, and (ii) the highest annual bonus paid or payable to Employee in respect of any of the three (3) full fiscal years ended immediately prior to such Change in Control, including, without limitation, any bonus or portion thereof earned but deferred (and annualized for any fiscal year consisting of less than twelve (12) full months). This payment shall be paid to Employee by Employer within thirty (30) days after the delivery of such notice of termination by Employee to Employer.

14. Miscellaneous.

14.1 This Agreement, together with Exhibit A and Schedule 12, constitutes and expresses the whole agreement of the parties in reference to the employment of Employee by Employer, and there are no representations, inducements, promises, agreements, arrangements, or undertakings oral or written, between the parties other than those set forth herein. This Agreement shall constitute an amendment and restatement of the Original Agreement in its entirety. It shall not be necessary to make reference to the Original Agreement, the terms of which are entirely superseded by the provisions of this Agreement.

14.2 This Agreement shall be governed by the laws of the State of Delaware.

14.3 Should any clause or any other provision of this Agreement be determined to be void or unenforceable for any reason, such determination shall not affect the validity or enforceability of any clause or provision of this Agreement, all of which shall remain in full force and effect.

14.4 Time is of the essence in this Agreement.

14.5 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. This Agreement shall not be assignable by Employee without the prior written consent of Employer.

14.6 This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute but a single instrument.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

EMPLOYEE:

/s/ Karen L. Bouchereau

Witness

/s/ Amy Vidrine Samson
----- (SEAL)
AMY VIDRINE SAMSON

ATTEST:

EMPLOYER:

CROWN CRAFTS, INC.

By: /s/ Olivia Woodyear

/s/ E. Randall Chestnut

Olivia Woodyear, Secretary

E. Randall Chestnut, President and
Chief Executive Officer

(CORPORATE SEAL)

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Exhibit A
to Amended and Restated Employment Agreement
By and Between Amy Vidrine Samson and
Crown Crafts, Inc., Inc.

Employee Compensation

Capitalized terms used herein and not defined shall have the meanings set forth in the Amended and Restated Employment Agreement.

BASE SALARY: \$176,400.12 per year subject to annual increases as reviewed and approved by the Board of Directors.

BONUS: Payable each July based on a performance matrix established against budgets and approved by the Employer's Board of Directors.

AUTO ALLOWANCE: Cost of automobile and all operating expenses.

INSURANCE: Employee's and her dependents' hospitalization, dental, life insurance and 401(k) plans as adopted by the Employer's Board of Directors for similarly-situated employees of the Employer, subject to the terms of such plans.

SCHEDULE 12

1. Bentonville, Arkansas
2. Paramus, New Jersey
3. Troy, Michigan
4. Minneapolis, Minnesota
5. Burlington, New Jersey
6. New York, New York
7. Plano, Texas
8. Chicago, Illinois

EXHIBIT 10.31

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), is made and entered into as of the 20th day of April, 2004 (the "Effective Date") by and between Nanci Freeman, a resident of the State of California ("Employee"), and Crown Crafts, Inc., a Delaware corporation ("Employer").

WITNESSETH:

WHEREAS, Employer and Employee have entered into that certain Employment Agreement dated as of July 23, 2001 (the "Original Agreement"); and

WHEREAS, Employer and Employee wish to amend and restate the Original Agreement in its entirety in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the employment of Employee by Employer, of the premises and the mutual promises and covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Employment and Duties. Subject to the terms and conditions hereof, Employer hereby agrees to continue to employ Employee during the term of this Agreement to serve as President and Chief Executive Officer of Crown Crafts Infant Products, Inc., a wholly owned subsidiary of Employer and to perform such other duties and responsibilities as customarily performed by persons acting in such capacity. During the term of this Agreement, Employee will devote her full time and effort to her duties hereunder.

2. Term. Subject to the provisions regarding Termination as set forth in Section 10 of this Agreement, the period of Employee's employment under this Agreement shall end on April 30, 2005 (the "Initial Period") unless Employee dies before the end of the Initial Period, provided that the term of this Agreement shall after April 30, 2004 be extended automatically on the 1st day of each month for one additional month so that this Agreement shall always be for a full one-year period unless the Employer or the Employee shall affirmatively decide and notify the other to the contrary in writing of its or her intention that this Agreement shall not be so extended, in which event this Agreement shall terminate at the end of the one year period following such notice.

3. Compensation. For all services to be rendered by Employee during the term of this Agreement, Employer shall pay Employee in accordance with the terms set forth in Exhibit A, net of applicable withholdings, payable in bi-weekly installments except all bonuses, if any, will be paid annually in July of each year.

4. Expenses. So long as Employee is employed hereunder, Employee is entitled to receive reimbursement for, or seek payment directly by Employer of, all reasonable expenses which are consistent with the normal policy of Employer in the performance of Employee's duties hereunder, provided that Employee accounts for such expenses in writing.

5. Employee Benefits. So long as Employee is employed hereunder, Employee shall be entitled to participate in the various employee benefit programs available to similarly-situated employees which are adopted by Employer from time to time.

6. Vacation. Employee shall be entitled to twenty (20) days annual vacation.

7. Confidentiality. In Employee's position as an employee of Employer, Employee has had and will have access to confidential information, trade secrets and other proprietary information of vital importance to Employer and has developed and will continue to develop relationships with customers, employees and others who deal with Employer which are of value to Employer. Employer requires, as a condition to Employee's employment with Employer, that Employee agree to certain restrictions on Employee's use of the proprietary information and valuable relationships developed during Employee's employment with Employer. In consideration of the terms and conditions contained herein, the parties

hereby agree as follows:

7.1 Employer and Employee mutually agree and acknowledge that Employer may entrust Employee with highly sensitive, confidential, restricted and proprietary information concerning various Business Opportunities (as hereinafter defined), customer lists, and personnel matters. Employee acknowledges that she shall bear a fiduciary responsibility to Employer to protect such information from use or disclosure that is not necessary for the performance of Employee's duties hereunder, as an essential incident of Employee's employment with Employer.

7.2 For the purposes of this Section 7, the following definitions shall apply:

7.2.1 "Trade Secret" shall mean the identity and addresses of customers of Employer, the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula or improvement that is valuable and secret (in the sense that it is not generally known to competitors of Employer) and which constitutes a "trade secret" under Delaware law pursuant to the Delaware Uniform Trade Secrets Act.

7.2.2 "Confidential Information" shall mean any data or information, other than Trade Secrets, which is material to Employer and not generally known by the public. Confidential Information shall include, but not be limited to, Business Opportunities of Employer (as hereinafter defined), the details of this Agreement, Employer's business plans and financial statements and projections, information as to the capabilities of Employer's employees, their respective salaries and benefits and any other terms of their employment and the costs of the services Employer may offer or provide to the customers it serves, to the extent such information is material to Employer and not generally known by the public.

7.2.3 "Business Opportunities" shall mean all activities of the type conducted, authorized, offered, or provided to the Employer by Employee prior to termination of her employment hereunder, including the duties performed by the Employee under Section 1, "Employment and Duties", of this Agreement. For purpose of reference, such activities as of the Effective Date include the business of manufacturing, marketing and distribution of infant bedding, infant blankets, infant accessories, infant bibs, infant bath items and infant gift sets and the Employer's operations and activities related thereto.

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7.2.4 Notwithstanding the definitions of Trade Secrets, Confidential Information, and Business Opportunities set forth above, Trade Secrets, Confidential Information, and Business Opportunities shall not include any information:

- (i) that is or becomes generally known to the public;
- (ii) that is already known by Employee or is developed by Employee after termination of employment through entirely independent efforts;
- (iii) that Employee obtains from an independent source having a bona fide right to use and disclose such information;
- (iv) that is required to be disclosed by law, except to the extent eligible for special treatment under an appropriate protective order; or
- (v) that Employer's Board of Directors approves for release.

7.3 Employee shall not, without the prior approval of Employer's Board of Directors, during her employment with Employer and for so long thereafter as the information or data remain Trade Secrets, use or disclose, or negligently permit any unauthorized person who is not an employee of Employer to use, disclose, or gain access to, any Trade Secrets.

8. Observance of Security Measures. During Employee's employment with Employer, Employee is required to observe all security measures adopted to protect Trade Secrets, Confidential Information and Business Opportunities.

9. Return of Materials. Upon the request of Employer and, in any event, upon the termination of her employment with Employer, Employee shall deliver to Employer all memoranda, notes, records, manuals or other documents, including all copies of such materials containing Trade Secrets or Confidential Information, whether made or compiled by Employee or furnished to her from any source by virtue of her employment with Employer.

10. Termination.

10.1 During the term of this Agreement, Employee's employment may be terminated (i) at the election of Employer for Cause; (ii) at Employee's election for Good Reason; (iii) upon Employee's death; (iv) at the election of either party, upon Employee's disability resulting in an inability to perform the duties described in Section 1 of this Agreement for a period of 180 consecutive days; (v) as set forth in Section 13 of this Agreement; or (vi) by mutual written agreement of Employer and Employee.

10.2 Cause. For purposes of this Agreement, a termination of employment is for "Cause" if the Employee has been convicted of a felony or if the termination is evidenced by a resolution adopted in good faith by two-thirds (2/3) of the Board that the Employee (i) intentionally and continually failed substantially to perform her reasonably assigned duties with the Employer (other than a failure resulting from the Employee's incapacity due to physical or mental illness or from the Employee's assignment of duties that would constitute "Good Reason" as

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hereinafter defined) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Employee specifying the manner in which the Employee has failed substantially to perform, or (ii) intentionally engaged in illegal conduct or gross misconduct which results in material economic harm to the Employer; provided, however, that no termination of the Employee's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Employee a copy of a written notice setting forth that the Employee was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Employee shall have been provided an opportunity to be heard in person by the Board (with the assistance of the Employee's counsel if the Employee so desires). No act, or failure to act, on the Employee's part, shall be considered "intentional" unless the Employee has acted or failed to act with a lack of good faith and with a lack of reasonable belief that the Employee's action or failure to act was in the best interests of the Employer. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of any senior officer of the Employer or based upon the advice of counsel for the Employer shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Employer. Any termination of the Employee's employment by the Employer hereunder shall be deemed to be a termination other than for Cause unless it meets all requirements of this Section 10.2

10.3 For purposes of this Agreement, "Good Reason" shall mean a good faith determination by the Employee, in the Employee's sole and absolute judgment, that any one or more of the following events or conditions has occurred, without the Employee's express written consent:

(i) The assignment to the Employee of any duties inconsistent with the Employee's position (including, without limitation, status, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Employer that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose isolated and inadvertent action not taken in bad faith and remedied by the Employer promptly after receipt of notice thereof given by the Employee;

(ii) A material reduction by the Employer of the Employee's base salary as the same may be increased from time to time, or a change in the eligibility requirements or performance criteria under any bonus, incentive or compensation plan, program or arrangement under which the Employee is covered which adversely affects the Employee;

(iii) any failure to pay the Employee any compensation or benefits to which she is entitled within five (5) days of the date due;

(iv) the Employer's requiring the Employee to be based anywhere other than within fifty (50) miles of the Employee's job location, except for reasonably required travel on the Employer's business which is not materially increased;

(v) without replacement by a plan providing benefits to the Employee substantially equivalent to or greater than those discontinued, the failure by the Employer to continue in effect, within its maximum stated term, any pension, bonus, incentive, stock ownership, purchase, option, life insurance, health, accident disability, or any other employee benefit plan, program or

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arrangement, in which the Employee participates, or the taking of any action by the Employer that would adversely affect the Employee's participation or materially reduce the Employee's benefits under any of such plans;

(vi) the taking of any action by the Employer that would materially adversely affect the physical conditions in or under which the Employee performs her employment duties, provided that the Employer may take action with respect to such conditions so long as such conditions are at least commensurate with the conditions in or under which an officer of the Employee's status would customarily perform her employment duties;

(vii) the insolvency or the filing of a petition for bankruptcy by the Employer;

(viii) any purported termination of the Employee's employment for Cause by the Employer which does not comply with the terms of Section 10.2 hereof; or

(ix) any breach by the Employer of any material provision of this Agreement.

The Employee's right to terminate her employment pursuant to this Section 10.3 shall not be affected by her incapacity due to physical or mental illness.

10.4 If this Agreement is terminated either pursuant to Cause, Employee's death or Employee's disability, Employee shall receive no further compensation or benefits, other than Employee's salary and other compensation as accrued through the date of such termination.

10.5 If this Agreement is terminated at Employer's election without Cause or at the election of Employee for Good Reason or is not expressly assumed by any acquirer of the Company whether by purchase, merger, consolidation or otherwise, Employee shall receive what she would have received under Section 13.2 hereof following a Change in Control, provided that, rather than being paid in a lump sum, Employee's salary shall be paid on a bi-weekly basis during the Restricted Period, as defined in Section 12.1 hereof.

11. Notices. All notice provided for herein shall be in writing and shall be deemed to be given when delivered in person or deposited in the United States Mail, registered or certified, return receipt requested, with proper postage prepaid and addressed as follows:

Employer: Crown Crafts, Inc.
P. O. Box 1028
Gonzales, Louisiana 70707
Attn: E. Randall Chestnut, President
and Chief Executive Officer

with a copy to: Rogers & Hardin LLP
2700 International Tower
229 Peachtree Street
Atlanta, Georgia 30303
Attn: Steven E. Fox, Esquire

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Employee: Nanci Freeman
5882 Bolsa Avenue, Suite 100
Huntington Beach, California 92649

12. Restrictive Covenants

12.1 For purposes of this Agreement, the following terms shall have the following respective meanings:

"Competing Business" means a business that, wholly or partly, directly or indirectly, engages in manufacturing, marketing and distribution of infant bedding, infant blankets, infant accessories, infant bibs, infant bath items or infant gift sets.

"Competitive Position" means: (A) Employee's direct or indirect equity ownership (excluding ownership of less than one percent (1%) of the outstanding common stock of any publicly held corporation) or control of any portion of any Competing Business; (B) Employee serving as a director, officer, consultant, lender, joint venturer, partner, agent, advisor or independent contractor of or to any Competing Business (except where Employee's duties would relate to divisions or activities which do not compete with the Employer); or (C) any employment arrangement between Employee and any Competing Business whereby Employee is required to perform services for the Competing Business substantially similar to those that Employee performed for the Employer.

"Restricted Territory" means the area within a 35 mile radius of the city limits of the cities listed on Schedule 12, attached hereto.

"Restricted Period" means a period of time that is one (1) year following termination of this Agreement.

12.2 Employee agrees that she will not, without the prior written consent of the Board, either directly or indirectly, alone or in conjunction with any other person or entity, accept, enter into or attempt to enter into a Competitive Position in the Restricted Territory at any time during her employment with the Employer and during the Restricted Period.

12.3 Employee agrees that she will not, without the prior written consent of the Board, either directly or indirectly, alone or in conjunction with any other person or entity, solicit, entice or induce any customer of the Employer (or any actively sought or prospective customer of the Employer) in which Employee had direct or indirect contact during the Term for or on behalf of any Competing Business in the Restricted Territory at any time during her employment with the Employer and during the Restricted Period.

12.4 Employee agrees that she will not, without the prior written consent of the Board, either directly or indirectly, alone or in conjunction with any other person or entity, solicit or attempt to solicit any "key or material" employee, consultant, contractor or other personnel of the Employer in the Restricted Territory to terminate, alter or lessen that party's affiliation with the Employer or to violate the terms of any agreement or understanding between such employee,

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consultant, contractor or other person and the Employer at any time during her employment with the Employer or for a period of two years thereafter. For purposes of this subsection (d), "key or material" employees, consultants, contractors or other personnel shall mean those such persons or entities who have direct access to or have had substantial exposure to Confidential Information or Trade Secrets.

12.5 Notwithstanding any expiration or termination of the Term, the provisions of this Section 12 shall survive and remain in full force and effect, as shall any other provision hereof that, by its terms or reasonable interpretation thereof, sets forth obligations that extend beyond the termination of this Agreement.

13. Change in Control.

13.1 "Change in Control" shall mean:

13.1.1 any transaction, whether by merger, consolidation,

asset sale, tender offer, reverse stock split, or otherwise, which results in the acquisition or beneficial ownership (as such term is defined under rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) by any person or entity or any group of persons or entities acting in concert, of 25% or more of the outstanding shares of common stock of Employer; provided, that, in determining whether a Change in Control has occurred, shares acquired by Bank of America, N.A., The Prudential Insurance Company of America and Wachovia Bank, N.A. pursuant to that certain Subordinated Note and Warrant Purchase Agreement dated as of July 23, 2001 shall not be included.

13.1.2 the sale of all or substantially all of the assets of Employer; or

13.1.3 the liquidation of Employer.

13.2 If there occurs a Change in Control, and if at the time of such Change in Control, E. Randall Chestnut ("Chestnut") is not employed by Employer or any of its affiliates (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended), or if there occurs a Change in Control and if Chestnut is so employed at the time of such Change in Control and at any time during the 180-day period immediately following the occurrence of such Change in Control, Chestnut shall no longer be employed by Employer or any of its affiliates for whatever reason, then, and in any such event, Employee shall be entitled within ninety (90) days after the date of such Change in Control if Chestnut is not employed by Employer or any of its affiliates on such date, or within ninety (90) days after the first date on which Chestnut is no longer employed by Employer or any of its affiliates if Chestnut is employed by Employer or any of its affiliates on the date of such Change in Control, to deliver to Employer written notice of termination of this Agreement, whereupon Employer shall pay to Employee a lump sum cash payment in an amount equal to the sum of (i) the then current compensation and benefits, including, without limitation, salary, all perquisites, and all other forms of compensation other than bonuses that would be remaining under the applicable terms of the Agreement then in effect for the greater of the remaining term of this Agreement or one (1) year and (ii) the highest annual bonus paid or payable to Employee in respect of any of the three (3) full fiscal years ended immediately prior to such Change in Control,

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including, without limitation, any bonus or portion thereof earned but deferred (and annualized for any fiscal year consisting of less than twelve (12) full months). This payment shall be paid to Employee by Employer within thirty (30) days after the delivery of such notice of termination by Employee to Employer.

14. Miscellaneous.

14.1 This Agreement, together with Exhibit A and Schedule 12, constitutes and expresses the whole agreement of the parties in reference to the employment of Employee by Employer, and there are no representations, inducements, promises, agreements, arrangements, or undertakings oral or written, between the parties other than those set forth herein. This Agreement shall constitute an amendment and restatement of the Original Agreement in its entirety. It shall not be necessary to make reference to the Original Agreement, the terms of which are entirely superseded by the provisions of this Agreement.

14.2 This Agreement shall be governed by the laws of the State of Delaware.

14.3 Should any clause or any other provision of this Agreement be determined to be void or unenforceable for any reason, such determination shall not affect the validity or enforceability of any clause or provision of this Agreement, all of which shall remain in full force and effect.

14.4 Time is of the essence in this Agreement.

14.5 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. This Agreement shall not be assignable by Employee without the prior written consent of Employer.

14.6 This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute but a single instrument.

EXHIBIT 14.1

CROWN CRAFTS, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

INTRODUCTION

This Code of Business Conduct and Ethics (the "Code") of Crown Crafts, Inc. (the "Company") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees of the Company, including our executive and senior financial officers. All of our employees must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. The Code should also be provided to and followed by the Company's agents and representatives, including consultants.

If a law conflicts with a policy in this Code, you must comply with the law. If you have any questions about these conflicts, you should ask your supervisor how to handle the situation.

Those who violate the standards in this Code will be subject to disciplinary action up to (and including) termination of employment. If you are in a situation which you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 14 of this Code.

1. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Obedying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. All employees must respect and obey the laws of the cities, states and countries in which we operate. Although not all employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

If requested, the Company will hold information and training sessions to promote compliance with applicable laws, rules and regulations, including insider-trading laws.

2. CONFLICTS OF INTEREST

A "conflict of interest" exists when a person's private interest interferes in any way with the interests of the Company. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, employees and their family members may also create conflicts of interest.

It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer or supplier. You are not allowed to work for a competitor as a consultant or board member. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf. Conflicts of interest are prohibited as a matter of Company policy, except under guidelines approved by the

Board of Directors. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management or the Company's legal counsel. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Section 14 of this Code.

3. INSIDER TRADING

Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about the Company should be considered confidential information. To use non-public

information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. In order to assist with compliance with laws against insider trading, the Company has adopted a specific policy governing employees' trading in securities of the Company. This policy has been distributed to the Company's employees. If you have any questions, please contact Olivia Woodyear at (225) 647-9124 to discuss.

4. CORPORATE OPPORTUNITIES

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors. No employee may use corporate property, information or position for improper personal gain, and no employee may compete with the Company directly or indirectly. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

5. COMPETITION AND FAIR DEALING

We seek to outperform our competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Company employee, family member of an employee or agent unless it: (i) is not a cash gift, (ii) is consistent with customary business practices, (iii) is not excessive in value, (iv) cannot be construed as a bribe or payoff, and (v) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts which you are not certain are appropriate.

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6. DISCRIMINATION AND HARASSMENT

The diversity of the Company's employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include, but are not limited to, derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances.

7. HEALTH AND SAFETY

The Company strives to provide each employee with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Employees should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

8. RECORD-KEEPING

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor or your controller.

All of the Company's books, records, accounts and financial statements

must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, please consult the Company's legal counsel in the event of litigation or governmental investigation.

9. CONFIDENTIALITY

Employees must maintain the confidentiality of confidential information entrusted to them by the Company or its customers, except when disclosure is authorized by the Chief Executive Officer or the Board of Directors or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. It also includes information that suppliers and

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customers have entrusted to us. The obligation to preserve confidential information continues even after employment ends.

10. PROTECTION AND PROPER USE OF COMPANY ASSETS

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company equipment should not be used for non-Company business, though incidental personal use may be permitted.

The obligation of employees to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or even criminal penalties.

11. PAYMENTS TO GOVERNMENT PERSONNEL

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's legal counsel can provide guidance to you in this area.

12. WAIVERS OF THE CODE OF BUSINESS CONDUCT AND ETHICS

Any waiver of this Code for executive officers or directors may be made only by the Board of Directors or a committee of the Board of Directors responsible for ethics oversight and will be promptly disclosed as required by law or stock exchange regulation.

13. REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of the Company not to allow retaliation for reports of misconduct by

others made in good faith by employees. Employees are expected to cooperate in internal investigations of misconduct. Further, any employee may submit a good-faith concern regarding questionable accounting or auditing matters without fear of dismissal or retaliation of any kind.

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14. COMPLIANCE PROCEDURES

We must all work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know if a violation has occurred. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your Human Resources manager.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

15. SPECIAL CONSIDERATIONS FOR CHIEF EXECUTIVE AND SENIOR FINANCIAL OFFICERS

In addition to the foregoing provisions of this Code, the Chief Executive Officer and all senior financial officers, including the Chief Financial Officer and principal accounting officer, are subject to the following additional specific policies:

- The Chief Executive Officer and all senior financial officers are responsible for full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the Company with the Securities and Exchange Commission. Accordingly, it is the responsibility of the Chief Executive Officer and each senior financial officer promptly to bring to the attention of the Board any material

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information of which he or she may become aware that affects the disclosures made by the Company in its public filings or otherwise assist the Board in fulfilling its responsibilities.

- The Chief Executive Officer and each senior financial officer shall promptly bring to the attention of the Board of Directors and the Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal

controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

- The Chief Executive Officer and each senior financial officer shall promptly bring to the attention of the Board of Directors, the Company's legal counsel and the Audit Committee any information he or she may have concerning any violation of this Code, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
- The Chief Executive Officer and each senior financial officer shall promptly bring to the attention of the Board of Directors, the Company's legal counsel and the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof, or of violation of this Code.
- The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code by the Chief Executive Officer and the Company's senior financial officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code, and shall include written notices to the individual involved that the Board of Directors has determined that there has been a violation, censure by the Board of Directors, demotion or re-assignment of the individual involved, suspension with or without pay or benefits (as determined by the Board of Directors) and termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

* * * * *

Adopted and effective as of June 8, 2004.

EXHIBIT 21

SUBSIDIARIES OF CROWN CRAFTS, INC.

Churchill Weavers, Inc.

Crown Crafts Infant Products, Inc.

Hamco, Inc.