SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 23, 2001

Crown Crafts, Inc.

(Exact name of registrant as specified in its charter)

Georgia	1-7604	58-0678148
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia	30328
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (770) 644-6400

Item 2. Acquisition or Disposition of Assets.

Crown Crafts, Inc., a Georgia corporation (the "Company"), Crown Crafts Designer, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("CCDI"), Design Works Holding Company, a Delaware corporation ("Buyer"), and Design Works, Inc., a Delaware corporation and a wholly-owned subsidiary of Buyer ("Merger Sub"), entered into that certain Merger Agreement dated as of July 23, 2001 (the "Merger Agreement"), pursuant to which Merger Sub was merged (the "Merger") with and into CCDI (the "Surviving Corporation") and the Surviving Corporation thereupon became a wholly-owned subsidiary of Buyer. The Merger was consummated as of July 23, 2001 (the "Closing"), and became effective on July 24, 2001 with the filing of a Certificate of Merger with the Secretary of State of the State of Delaware.

Pursuant to the Merger Agreement, at the Closing, the Company transferred to CCDI certain assets used in the conduct of the Company's adult bedding business, which assets are more fully described in the Merger Agreement (the "Transferred Assets"), and CCDI assumed at the Closing certain liabilities arising with respect to the Transferred Assets, which liabilities are more fully described in the Merger Agreement.

Upon consummation of the Merger in accordance with the Merger Agreement, each share of the capital stock of CCDI issued and outstanding immediately prior to the Merger was converted into its pro-rata right to receive merger consideration in the aggregate amount of $6,348,912.66 in cash. Additionally, at such time, each share of the capital stock of Merger Sub issued and outstanding immediately prior to the Merger was converted into one share of the capital stock of the Surviving Corporation, with the Surviving Corporation thereby becoming a wholly-owned subsidiary of Buyer. Also upon consummation of the Merger, Buyer caused the Surviving Corporation to purchase certain real property assets of the Company which had been used by the Company in its adult bedding business in exchange for an aggregate purchase price of $2,151,087.34 in cash. The aggregate consideration received by the Company in the Merger was determined as a result of negotiations between the Company and Buyer and was approved by the boards of directors of the Company and CCDI.

At the Closing, the Company and Buyer entered into a Non-Competition and Non-Disclosure Agreement (the "Non-Compete Agreement"). Pursuant to the Non-Compete Agreement, the Company is restricted in its ability to engage in certain business activities related to adult bedding products and Buyer is restricted in its ability to engage in certain business activities related to infant and juvenile products.

In connection with the Merger, the Company entered into an Employment Agreement with E. Randall Chestnut pursuant to which he will serve as President and Chief Executive Officer of the Company effective as of the Closing and an Employment Agreement with Amy Vidrine Samson pursuant to which she will serve as Chief Financial Officer of the Company effective as of the Closing. Additionally, the Company entered into a Restricted Stock Agreement with each of E. Randall Chestnut, Nanci Freeman, Amy Vidrine Samson, Louisa McInnis, Debra Dunne, Janet Talbot, Salvador Rodriguez, Steve Guyer, Rick Bamrick, Sarah Butler, Mark Backstrom, Gary Freeman, Richard Bellando, Lila Bellando, Bethany Erickson and Mike Strawn, pursuant to which the Company issued to such parties an aggregate of 792,000 shares of common stock, par value $1.00 per share, subject to vesting over a period of two years.

Michael H. Bernstein is a controlling shareholder, director and officer of Buyer. Prior to the Merger, Mr. Bernstein had served as a director of the Company and as the Company's Chief Executive Officer and President, and had served as a director and/or officer of various

subsidiaries of the Company, including CCDI. Mr. Bernstein resigned from all of such positions with the Company and its subsidiaries, other than CCDI, effective as of the Closing. Mr. Bernstein remains a shareholder of the Company.

The descriptions contained herein of the Merger Agreement, the Non-Compete Agreement, the employment agreements of Mr. Chestnut and Ms. Samson and the form of Restricted Stock Agreement are qualified in their entirety by reference to the terms of such documents, each of which is attached hereto as an exhibit and incorporated herein by this reference.

Item 5. Other Events.

The Company, together with Crown Crafts Infant Products, Inc., Churchill Weavers, Inc. and HAMCO, Inc., each a wholly-owned subsidiary of the Company (collectively, the "Subsidiaries," and together with the Company, the "Borrowers"), entered into a Credit Agreement (the "Credit Agreement") dated as of July 23, 2001 with Wachovia Bank, N.A. ("Wachovia"), Bank of America, N.A. ("BofA"), The Prudential Insurance Company of America ("Prudential") (Wachovia, BofA and Prudential are referred to collectively as the "Lenders") and Wachovia, as Agent, which Credit Agreement provides for revolving loans in the maximum amount of $19,000,000 (collectively, the "Revolving Notes") and a term loan in the original principal amount of $14,000,000 (the "Term Note").

The Credit Agreement requires payment of all outstanding principal and interest under the Revolving Notes on June 30, 2004 unless the Borrowers earlier terminate the credit facility related thereto pursuant to the terms of the Credit Agreement or an Event of Default (as defined in the Credit Agreement) earlier occurs. The Credit Agreement requires payment of all outstanding principal and interest under the Term Note on June 30, 2006 unless the Term Note is earlier prepaid in full or an Event of Default earlier occurs and the Term Note is declared immediately due and payable by the Lenders.

In addition, the Company entered into a Subordinated Note and Warrant Purchase Agreement (the "Sub Debt Agreement") with the Lenders dated as of July 23, 2001, pursuant to which each of the Lenders has made a subordinated debt investment in the Company. In accordance with the Sub Debt Agreement, the Company has issued notes to the Lenders in the aggregate original principal amount of $16,000,000 (collectively, the "Sub Notes"). Also, pursuant to the Sub Debt Agreement, BofA purchased warrants to acquire 3,096,488 shares of the Company's Series B Common Stock, Wachovia purchased warrants to acquire 7,149,841 shares of the Company's Series B Common Stock and Prudential purchased warrants to acquire 5,375,923 shares of the Company's Series C Common Stock (collectively, the "Warrants").

In accordance with the Sub Debt Agreement, all amounts owing to the Lenders under the Sub Notes are subordinate and junior to all amounts owing to the Lenders under the Credit Agreement. The principal amount of the Sub Notes is payable in one installment on July 23, 2007 unless the Sub Notes are earlier prepaid in full as provided in the Sub Debt Agreement following payment in full of all amounts owing under the Credit Agreement.

The Warrants provide that the Lenders may exercise their rights thereunder to purchase shares of the Company's Series B Common Stock or Series C Common Stock, as the case may be (collectively, the "Warrant Shares"), at any time after the twentieth business day following July 23, 2001 and prior to the expiration date of the Warrants, which is July 23, 2007. Once issued, the Warrant Shares may thereafter be converted into Series A Common Stock of the Company pursuant to the Company's Second Amended and Restated Articles of Incorporation (the "Amended and Restated Articles"). The Amended and Restated Articles were filed and became effective on July 25, 2001 in order to set forth the rights and designations of the Company's Series A Common Stock,

Series B Common Stock and Series C Common Stock. All shares of the Company's common stock issued and outstanding immediately prior to the effective date of the Amended and Restated Articles will be deemed shares of the Company's Series A Common Stock subsequent to such effective date.

Pursuant to the Registration Rights Agreement dated as of July 23, 2001 between the Company and the Lenders, the Warrant Shares and the shares of Series A Common Stock issuable upon conversion thereof are entitled to certain registration rights. These rights include both "piggy-back" registration rights and the right to have such shares registered upon the request of holders of more than a majority of such registrable securities.

The Term Note, the Sub Notes and the Warrants represent the refinancing of amounts previously outstanding under the following agreements between the Company and the Lenders: (i) the Credit Agreement between the Company and Wachovia, dated as of August 9, 1999, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of February 23, 2000, Amendment No. 2 to Revolving Credit Agreement dated as of March 13, 2000, Amendment No. 3 to Revolving Credit Agreement dated as of June 4, 2000, Amendment No. 4 to Revolving Credit Agreement dated as of August 31, 2000, Amendment No. 5 to Revolving Credit Agreement dated as of April 3, 2001, and Amendment No. 6 to Revolving Credit Agreement dated as of June 29, 2001; (ii) the Credit Agreement between the Company and BofA, dated as of August 9, 1999, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of February 23, 2000, Amendment No. 2 to Revolving Credit Agreement dated as of March 13, 2000, Amendment No. 3 to Revolving Credit Agreement dated as of June 4, 2000, Amendment No. 4 to Revolving Credit Agreement dated as of August 31, 2000, Amendment No. 5 to Revolving Credit Agreement dated as of April 3, 2001, and Amendment No. 6 to Revolving Credit Agreement dated as of June 29, 2001; and (iii) the Note Purchase and Private Shelf Facility between the Company and Prudential dated as of October 12, 1995, as amended by Amendment to 1995 Note Agreement dated as of February 29, 2000, Amendment to 1995 Note Agreement dated as of March 13, 2000, Amendment to 1995 Note Agreement dated as of June 4, 2000, Amendment No. 5 to 1995 Note Agreement dated as of August 31, 2000, Amendment No. 6 to 1995 Note Agreement dated as of April 3, 2001 and Amendment No. 7 to 1995 Note Agreement dated as of June 29, 2001.

The Credit Agreement and the Sub Debt Agreement contain customary financial covenants, including minimum EBITDA thresholds, minimum stockholders' equity requirements, fixed charge coverage ratios and limits on capital expenditures and operating leases. In addition, each of the Credit Agreement and the Sub Debt Agreement also contains customary limitations, including limitations on indebtedness, liens, transfers of assets, investments and acquisitions, merger or consolidation transactions, dividends, transactions with affiliates, activities under ERISA, changes in or amendments to the Company's fiscal year or organizational documents, sale and lease-back transactions and dissolution and liquidation of the Company.

The obligations of the Borrowers under the Credit Agreement and the obligations of the Company under the Sub Debt Agreement are secured by (i) a pledge of all or substantially all of the assets of the Borrowers pursuant to the terms and conditions of two Security Agreements between the Borrowers and Wachovia, as collateral agent for itself, BofA and Prudential (the "Security Agreements"); (ii) a pledge of all of the capital stock of each of the Company's wholly-owned domestic subsidiaries pursuant to the terms and conditions of two Domestic Stock Pledge Agreements between the Company and Wachovia, as collateral agent for itself, BofA and Prudential (the "Domestic Stock Pledge Agreements"); (iii) a pledge of all of the capital stock of a certain wholly-owned foreign subsidiary of the Company pursuant to the terms and conditions of two

Foreign Stock Pledge Agreements between the Company and Wachovia, as collateral agent for itself, BofA and Prudential (the "Foreign Stock Pledge Agreements"); (iv) a mortgage of certain real property pursuant to the terms of a Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999 from Churchill Weavers, Inc. to Wachovia, as collateral agent for itself, BofA and Prudential, as amended by that First Amendment to Mortgage, Security Agreement and Fixture Financing Statement dated July 23, 2001 (the "Credit Agreement Mortgage"); and (v) a mortgage of certain real property pursuant to the terms of a Mortgage, Security Agreement and Fixture Financing Statement dated July 23, 2001 from Churchill Weavers, Inc. to Wachovia, as collateral agent for itself, BofA and Prudential (the "Sub Debt Mortgage").

The descriptions contained herein of the Credit Agreement, the Revolving Notes, the Term Note, the Sub Debt Agreement, the Sub Notes, the Warrants, the Amended and Restated Articles, the Registration Rights Agreement, the Security Agreements, the Domestic Stock Pledge Agreements, the Foreign Stock Pledge Agreements, the Credit Agreement Mortgage and the Sub Debt Mortgage are qualified in their entirety by reference to the terms of such documents, each of which is attached hereto as an exhibit and incorporated herein by this reference.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(b) Pro Forma Financial Information. All required pro forma financial information will be filed by amendment to this Report not later than sixty (60) days after the due date of this Report.

(c) Exhibits. The following is a list of the Exhibits attached hereto:

2.1	Merger Agreement dated as of July 23, 2001 by and among the Company, CCDI, Buyer and Merger Sub (the "Merger Agreement").
3.1	Second Amended and Restated Articles of Incorporation of the Company.
4.1	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 and the Lenders (the "Sub Debt Agreement")(included as Exhibit C to the Sub Debt Agreement).
10.1	Employment Agreement dated as of July 23, 2001 by and between the Company and E. Randall Chestnut.
10.2	Employment Agreement dated as of July 23, 2001 by and between the Company and Amy Vidrine Samson.
10.3	Form of Restricted Stock Agreement entered into in connection with the Merger Agreement.
10.4	Credit Agreement dated as of July 23, 2001 by and among the Borrowers, Wachovia, as Agent, and the Lenders (the "Credit Agreement").
10.5	Form of Revolving Note issued in connection with the Credit Agreement (included as Exhibit A-1 to the Credit Agreement).
10.6	Form of Term Note issued in connection with the Credit Agreement (included as Exhibit A-2 to the Credit Agreement).
10.7	Form of Domestic Stock Pledge Agreement entered into in connection with the Credit Agreement (included as Exhibit N to the Credit Agreement).
10.8	Form of Foreign Stock Pledge Agreement entered into in connection with the Credit Agreement (included as Exhibit T to the Credit Agreement).
10.9	Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999 from Churchill Weavers, Inc. ("Churchill") to Wachovia, 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.
10.10	Sub Debt Agreement.

10.11 Form of Note issued in connection with the Sub Debt Agreement (included as Exhibit A-1 to the Sub Debt Agreement).

10.12 Form of Warrant issued in connection with the Sub Debt Agreement (included as Exhibit B to the Sub Debt Agreement).

10.13 Form of Domestic Stock Pledge Agreement entered into in connection with the Sub Debt Agreement (included as Exhibit D to the Sub Debt Agreement).

10.14 Form of Foreign Stock Pledge Agreement entered into in connection with the Sub Debt Agreement (included as Exhibit E to the Sub Debt Agreement).

10.15 Form of Security Agreement entered into in connection with the Sub Debt Agreement (included as Exhibit F to the Sub Debt Agreement).

10.16 Mortgage, Security Agreement and Fixture Financing Statement dated July 23, 2001 from Churchill to Wachovia, as Collateral Agent for the Lenders, entered into in connection with the Sub Debt Agreement.

10.17 Amended and Restated Security Agreement dated as of July 23, 2001 by and among the Borrowers and Wachovia, as Collateral Agent for the Lenders, entered into in connection with the Credit Agreement.

10.18 Form of Non-Competition and Non-Disclosure Agreement entered into in connection with the Merger Agreement (included as Exhibit E to the Merger Agreement).

99.1 Press Release dated July 26, 2001.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROWN CRAFTS, INC.

By: /s/ E. Randall Chestnut

E. Randall Chestnut,
President and Chief Executive Officer

Dated: August 7, 2001

EXHIBIT INDEX

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99.1	Press Release dated July 26, 2001.

EXHIBIT 2.1

MERGER AGREEMENT
BY AND BETWEEN
DESIGN WORKS HOLDING COMPANY,
DESIGN WORKS, INC.,
CROWN CRAFTS DESIGNER, INC.
AND CROWN CRAFTS, INC.

DATED AS OF JULY 23, 2001

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(Schedules to this agreement have been omitted; the Registrant agrees to furnish supplementally to the Commission, upon request, a copy of these schedules.)

MERGER AGREEMENT

This MERGER AGREEMENT is made and entered into as of July 23, 2001 (the "Agreement"), by and between DESIGN WORKS HOLDING COMPANY, a Delaware corporation ("Buyer"), DESIGN WORKS, INC., a Delaware corporation ("Merger Subsidiary"), CROWN CRAFTS, INC., a Georgia corporation ("Seller"), and CROWN CRAFTS DESIGNER, INC., a Delaware corporation ("CCD").

RECITALS:

WHEREAS, Seller is engaged in the business of, among other things, designing, manufacturing, marketing, importing, selling and distributing various types of adult bedding products for the retail market through unincorporated divisions, wholly-owned subsidiaries and otherwise;

WHEREAS, Seller desires to sell and transfer to Buyer certain assets, rights and properties, including certain real property, primarily relating to the Business (as hereinafter defined); and

WHEREAS, Buyer desires to acquire said assets, rights, and properties from Seller, subject to certain liabilities of Seller relating to the Business;

WHEREAS, Buyer and Seller wish to effectuate the transfer of said assets, rights and properties through the merger of Seller's wholly-owned subsidiary, CCD, with Merger Subsidiary, a wholly-owned subsidiary of Buyer, in the manner and upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained in this Agreement, and intending to be legally bound thereby, Buyer and Seller hereby agree as follows:

DEFINITIONS

In addition to the words and terms elsewhere defined herein, the following terms shall have the meanings specified below when used in this Agreement:

"ACCOUNTS RECEIVABLE" shall mean all rights to payment described in Section 1.01(v).

"ACQUIRED ASSETS" shall have the meaning set forth in Section 1.01(e) of this Agreement and shall include the Discontinued Business Accounts.

"AFFILIATE" shall mean, with respect to any Person, any other Person that controls or is controlled by or is under common control with, such Person as determined in accordance with Rule 12b-2 of the General Rules and Regulations of the Securities Exchange Act of 1934, as amended.

"AGREEMENT" shall mean this Merger Agreement, together with the Exhibits and Schedules attached hereto, as the same may be amended from time to time in accordance with the terms hereof.

"ASSUMED LIABILITIES" shall mean all contracts, obligations and liabilities required to be assumed by Buyer at Closing in accordance with Section 1.04 of this Agreement.

"BUSINESS" shall mean the adult bedding business of Seller and its Affiliates consisting of (i) the Calvin Klein Home Product Line owned by CCD, (ii) the Royal Sateen product line and the related agreement with Kitan Consolidated Industries, Limited ("Kitan"), (iii) the Kitan private label product line primarily sold to Costco, (iv) the private label "I Love Daisies" product line sold to J. C. Penney, (v) the private label "Denim" product line sold to Linens & Things and others, and (vi) any discontinued adult bedding product lines which were shipped from North Carolina.

"BUSINESS DAY" shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of Georgia.

"BUYER" shall mean Design Works Holding Company, a Delaware corporation.

"CALVIN KLEIN LICENSE" shall mean any and all agreements between Seller and Calvin Klein, Inc. with respect to (i) the use by Seller of any Calvin Klein names, marks or logos, (ii) the advertising, marketing and sale of products bearing any Calvin Klein or IDC name, mark or logo, and (iii) any other related matters.

"CCD" shall mean Crown Crafts Designer, Inc., a Delaware corporation.

"CCD STOCK" shall mean all of the issued and outstanding capital stock and other equity securities, if any, of CCD.

"CERTIFICATE OF MERGER" shall mean the Certificate of Merger of CCD and Merger Subsidiary to be filed with the Secretary of State of the State of Delaware substantially in the form attached hereto as Exhibit "A".

"CLOSING" shall mean the consummation of the transactions contemplated by this Agreement.

"CLOSING DATE" shall mean Monday, July 23, 2001.

"CODE" means the Internal Revenue Code of 1986, as amended.

"CONTRACTS" shall mean those contracts and agreements described in Section 1.01(e)(ii) of this Agreement.

"DISCONTINUED WOVEN PRODUCTS ACCOUNTS" shall mean all disputed accounts receivable and all rights to collect or receive the proceeds of disputed customer charge-backs, disputed customer credits, disputed customer

adjustments and the like existing, potentially existing,

available or potentially available with respect to or arising out of the woven products business formerly conducted by Seller, excluding only accounts receivable and disputed claims primarily related to the Goodwin Weavers business and post-closing claims relating to woven products sold to Aladdin Manufacturing Corporation.

"EFFECTIVE TIME" shall mean the time on the Closing Date on which the Certificate of Merger is filed by CCD and Merger Subsidiary with the Secretary of State of the State of Delaware.

"EMPLOYEE BENEFIT PLAN" shall have the meaning set forth in Section 2.01(j)(i) of this Agreement.

"ENVIRONMENTAL LAW" shall mean all Laws, which are administered, interpreted or enforced by the United States Environmental Protection Agency and/or state and local agencies with primary jurisdiction over pollution or protection of the environment.

"ENVIRONMENTAL PERMITS" means any licenses, permits, registrations, governmental approvals and consents which are required under or issued pursuant to any Environmental Law, including any permits, approvals or consents required to emit any Hazardous Materials to the air, to operate, modify, install, or construct any air pollution control equipment, or to treat, store, dispose of or transport Hazardous Materials.

"EQUIPMENT" shall mean all machinery, presses, equipment, boilers, heating and cooling systems, racking systems, fork lifts, trailers, motorized production or material handling equipment, molds, tooling, mechanical and electrical parts, repair parts, tools, office equipment, computer hardware and accessories, machine tools, instruments, controls, mechanical and electrical systems, and telephone system, including all such tangible personal property described in Schedule 1.01(e).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCESS COVERAGE" shall mean the coverage provided by that certain policy no. 437-35-13 issued by American International South Insurance Company to Seller provided coverage for the periods September 1, 2000 to September 1, 2001.

"EXCLUDED ASSETS" shall mean the assets described in Section 1.03(a) of this Agreement to be retained by Seller and/or its Affiliates and not to be included in the Acquired Assets.

"EXCLUDED LIABILITIES" shall mean the liabilities, obligations and commitments described in Section 1.03(c) and/or Schedule 1.03(c) of this Agreement which are to be retained and/or assumed by Seller and/or its Affiliates, such that (i) as of the Closing Date, CCD and the Surviving Corporation will have no liability, obligation or responsibility for any of the Excluded Liabilities, except liabilities arising in the ordinary course of the business of CCD for which Seller shall have assumed primary liability and undertaken indemnity obligations at Closing, and (ii) Buyer shall never assume or become liable for any Excluded Liability.

"GAAP" means generally accepted United States accounting principles, consistently applied.

"HAZARDOUS MATERIAL" or "HAZARDOUS MATERIALS" shall have the meaning set forth in Section 2.01(i)(iv)(B) of this Agreement.

"INFANT BUSINESS" shall mean any business conducted by or related to Churchill Weavers, Inc., Crown Crafts Infant Products, Inc., Hamco, Inc.,

Burgundy Interamericana S.A. de C.V., Crown Crafts de Mexico S.A. de C.V., and any infant, juvenile or retail lines of business of Seller, including "Pillow Buddies".

"INTELLECTUAL PROPERTY" shall mean the intangible personal property described in Section 1.01(e)(vii) and Schedule 1.01(e)(vii) of this Agreement.

"INVENTORY" shall have the meaning set forth in Section 1.01(e)(iv) of this Agreement.

"KNOWLEDGE" shall mean, with respect to any matter, (i) in the case of Seller, the actual knowledge of Randall Chestnut, Carl Texter, Robin Robboy, or Robert Enholm or any other officer or management employee of Seller having primary responsibility for such matter, except that the knowledge of any employee, officer or director of Buyer or any of its Affiliates who is also an employee, officer or director of Seller shall not be attributed to Seller, and (ii) in the case of Buyer, the actual knowledge of Michael Bernstein, Rudy Schmatz, Dennis Cochran, Dennis Jackson or any other officer or management employee of Buyer having primary responsibility for such matter, as well as the actual knowledge of David Harman, a consultant to Buyer.

"LAW" shall mean any foreign, federal, state, local or other law, rule, regulation or governmental requirement of any kind, and the rules, regulations and orders promulgated thereunder.

"LEASES" shall mean those Real Property leases described in Section 1.02(i) and Schedule 1.02(i) of this Agreement.

"LIEN" shall mean, with respect to any Acquired Assets, (a) any mortgage, pledge, lien, security interest, hypothecation, charge, claim, reservation, condition, easement, right of way, covenant, lease, sublease, right of occupancy, encroachment, title defect, imposition, security interest, tenancy, option, mineral rights agreement, or any other exception to title of any land, community property interest, equitable interest, option, right of first refusal, other encumbrance, restriction or adverse claim of any land, or any restriction on use, voting right, transfer, right to receipt of income, or exercise of any other attribute of ownership, including tax liens for taxes then due and owing, and (b) the interest of a vendor or lessor under any conditional sale agreement, financing lease or other title retention agreement relating to such asset.

"MERGER" shall have the meaning set forth in Section 1.01 of this Agreement.

"MERGER CONSIDERATION" shall mean the consideration paid by or for the benefit of Buyer in connection with the Merger.

"MERGER SUBSIDIARY" shall mean the Buyer's wholly-owned subsidiary Design Works, Inc., a Delaware corporation.

"NEW YORK APARTMENT PROPERTY" shall have the meaning set forth in Section 1.01(e)(ii).

"NON-BUSINESS ASSETS" shall mean any asset, account receivable, inventory, real property, tangible or intangible personal property, equipment, leasehold improvement, contract or agreement, intellectual property, marketing material, prepayment, record or product line other than the Acquired Assets, the Specified Assets and the Business, which primarily relate to (i) the woven products business sold to Aladdin Manufacturing Corporation, (ii) the Goodwin Weavers business, (iii) all assets or property (other than inventory) located in Plant Number 1, Timberlake, North Carolina, and (iv) all real property, inventory and other assets or property located at the Roxboro, North Carolina outlet store.

"OWNED REAL PROPERTY" shall have the meaning set forth in Section 1.02(ii) and on Schedule 1.02(ii) of this Agreement.

"OWNERSHIP AGREEMENT" shall have the meaning set forth in Section 1.01(e)(ii).

"PAST DUE AMOUNTS" shall mean any and all amounts payable by Seller of every kind and nature which, according to the original terms applicable thereto (established by invoice, agreement or otherwise), became due (without the imposition of interest, penalties or a higher cost or the extension of time) before the Closing Date but were not paid before the Closing Date, it being understood, in this regard, that all Kitan invoices (other than Kitan invoices relating to any goods held on consignment) shall be deemed "due on receipt".

"PERMITTED LIENS" shall mean those liens, encumbrances, charges, security interests and claims described on Schedule 2.01(w).

"PERSON" shall mean a natural person, corporation, trust, partnership, limited liability company, joint venture, governmental entity, agency or branch or department thereof, or any other form of business organization (whether or not regarded as a legal entity under applicable Law).

"PERSONAL PROPERTY" shall mean the tangible personal property described in Section 1.01(e)(i) and Schedule 1.01(e)(i).

"PREPAYMENTS" shall have the meaning set forth in Section 1.01(e)(xi).

"PRIMARY COVERAGE" shall mean that Executive Protection Policy no. 8114-82-63-I-ATL issued to Seller by Federal Insurance Company for the policy period September 1, 200 to September 1, 2001.

"PURCHASE PRICE" shall mean the purchase price paid for the Specified Assets in accordance with Section 1.05 of this Agreement.

"REAL PROPERTY" shall have the meaning set forth in Section 1.02(ii).

"RECORDS" shall mean those books, records and documents described in Section 1.01(e)(iii) of this Agreement.

"REPORTABLE EVENT" has the meaning set forth in ERISA ss.4043.

"SELLER" shall mean Crown Crafts, Inc., a Georgia corporation.

"SELLER LICENSE AGREEMENT" shall have the meaning set forth in Section 1.10 of this Agreement.

"SHARED SERVICES AGREEMENT" shall mean that certain agreement referred to in Section 3.09 which is to be executed at Closing by Buyer and Seller substantially in the form set forth on Exhibit "D" pursuant to which Buyer and Seller agree to share certain services and facilities.

"SPECIFIED ASSETS" shall have the meaning set forth in Section 1.02 of this Agreement.

"SUBLEASE" shall have the meaning set forth in Section 3.08 of this Agreement.

"SURVIVING CORPORATION" shall mean CCD upon and after CCD's merger with the Merger Subsidiary as provided in Section 1.01 of this Agreement.

"THREATENED" shall mean, as to a Person, that such Person has Knowledge that a demand or statement has been made (orally or in writing) or a notice has been given (orally or in writing) that a claim, proceeding, dispute, action, or other matter may be asserted, commenced, taken, or otherwise pursued in the future against such Person.

"TRANSFERRED EMPLOYEES" shall have the meaning set forth in Section 4.01(b) and shall include those employees of Seller or CCD who remain or become employees of Buyer or the Surviving Corporation as of the Closing Date.

ARTICLE I. MERGER AND PURCHASE OF SPECIFIED ASSETS

SECTION 1.01 THE MERGER. On and subject to the terms and conditions of this Agreement, and in consideration of the Merger Consideration to be paid to

Seller at Closing, Merger Subsidiary shall merge with and into CCD (the "Merger") and CCD shall be the surviving corporation ("Surviving Corporation"). CCD and the Merger Subsidiary shall file with the Secretary of State of the State of Delaware a Certificate of Merger in the form attached hereto as Exhibit "A". The Merger shall become effective on the Closing Date at the time CCD and Merger Subsidiary file the Certificate of Merger with the Secretary of State of the State of Delaware ("Effective Time"). The Merger shall have the effect set forth in the Delaware General Corporation Law. At any time on or after the Closing Date, the Surviving Corporation may take any action (including executing and delivering any document) in the name and on behalf of either the Merger Subsidiary or CCD in order to carry out the transactions contemplated by this Agreement. The parties further agree as follows:

(a) CERTIFICATE OF INCORPORATION. The Certificate of Incorporation of the Surviving Corporation shall be amended and restated as of the Effective Time to read as did the Certificate of Incorporation of the Merger Subsidiary immediately before the Effective Time, and the name of the Surviving Corporation shall be changed to Design Works, Inc.

(b) BYLAWS. The Bylaws of the Surviving Corporation shall be amended and restated as of the Effective Time to read as did the Bylaws of the Merger Subsidiary immediately before the Effective Time.

(c) DIRECTORS AND OFFICERS. The directors and officers of the Merger Subsidiary shall become the directors and officers of the Surviving Corporation at and as of the Effective Time (retaining their respective positions and terms of office).

(d) CONVERSION OF SHARES. At, and as of, the Effective Time, (i) the CCD Stock shall be converted into the right of Seller, as holder of the CCD Stock immediately prior to the Effective Time, to be paid the Merger Consideration, (ii) none of the CCD Stock shall be deemed to be outstanding and Seller shall have no rights with respect thereto other than the right to receive the Merger Consideration, and (iii) each share of the Merger Subsidiary Stock shall be converted into one share of Common Stock, $.0001 par value per share, of the Surviving Corporation.

(e) ACQUIRED ASSETS. Seller covenants, agrees, represents and warrants that immediately before and at the Effective Time, CCD shall hold good and legal title, free and clear of all Liens except Permitted Liens, in, to and under the Discontinued Woven Products Accounts and all of the following assets, rights and properties of Seller, its subsidiaries and Affiliates, wherever located, primarily relating to or primarily used or held for use in connection with the Business as the same may exist on the day next preceding the Closing Date (collectively the "Acquired Assets", which shall in no event include the Excluded Assets):

(i) TANGIBLE PERSONAL PROPERTY. Except as provided in Section 1.03(a), (A) all furniture, office fixtures, artwork, store fixtures, appliances and other items of tangible personal property, whether owned or leased, located on or in the Sublease premises (but only to the extent identified on Schedule 1.01(e)(i)), on or in the Real Property or the New York Apartment Property, or "in store", (B) all motor vehicles, and other items of tangible personal property, wherever located, which are identified on Schedule 1.01(e)(i), (C) the tangible personal property subject to the leases described on Schedule 1.01(e)(ii) or which are later disclosed to Buyer and accepted by Buyer in writing within ten (10) days after such disclosure, and (D) all laptop computers, computer accessories, office equipment, supplies, and other tangible personal property in the possession of, or under the care, custody or control, of Transferred Employees (collectively, the "Personal Property").

(ii) CONTRACTS. All contracts, agreements,

vendor arrangements or agreements, confidentiality agreements, leases of Personal Property and

licenses, together with the commitments, purchase orders, license agreements, work orders and other agreements listed on Schedule 1.01(e)(ii), as amended, including the Calvin Klein License, any and all License Agreements between Seller and Springs Industries, Inc., Pacific Coast Feather and Fremaux, all agreements between Seller and Kitan, and that certain Agreement as to Use of Cooperative Apartment dated as of January 30, 1992 between Seller and Michael H. Bernstein (the "Ownership Agreement") with respect to the New York Apartment (the "New York Apartment Property") (collectively, the "Contracts").

(iii) RECORDS. All books, records and documents, including records relating to the Real Property, the New York Apartment Property, the Acquired Assets, environmental compliance records, purchasing and sales records, personnel records of all Transferred Employees, accounting and payroll records, customer lists, supplier lists, parts lists, correspondence, manuals, engineering data, designs, drawings, blueprints, plans, specifications, lists, computer media, software and software documentation, and other written materials, and including the Certificate or Articles of Incorporation, Bylaws, corporate minutes, minute books, stock books, corporate seals and other corporate, business and legal records of CCD (collectively, the "Records").

(iv) INVENTORY. Except as provided in Section 1.03(a), all inventories, raw materials, work in process, finished goods, supplies (including office supplies), spare parts, packaging materials and samples whether held at a location controlled by Seller, Seller's independent contractors or suppliers or their contractors or suppliers, in storage, in customs, or in transit, including all deposits in respect thereof, bills of lading, documents of title, and documents required to clear customs, and shipping and storage documentation (collectively, the "Inventory").

(v) ACCOUNTS RECEIVABLE. All rights to payment, in whatever form, which arise or accrue before the Closing Date with respect to the Business whether disputed or undisputed, including all rights to payment for goods sold or services rendered, all royalties, commissions, supplier credits, licensor credits, rebates, amounts "due from factor" in CIT account nos. 1613, 1620 and 1626 (excluding any receivables relating to "Pillow Buddies", "Mohawk" or "Goodwin Weavers") and all accounts, general intangibles, notes, instruments, chattel paper and promissory notes together with any and all adjustments with respect thereto (collectively the "Accounts Receivable").

(vi) MARKETING MATERIALS. All forms, labels, shipping materials, brochures, artwork, photographs, advertising materials and any similar items.

(vii) INTELLECTUAL PROPERTY. Except as provided in Section 1.03(a), all patents, inventions, copyrights, trademarks, service marks, trade names, logos, corporate names, product line names, designs, screens, film, art and artwork libraries, packaging, trade secrets, confidential business information, research, marketing, technical know-how, technical data, licenses and license rights, formulas, compositions, manufacturing or production processes, designs, drawings, patterns, computer software and related documentation and source codes, all business application software developed by Crown Crafts, Inc. prior to Closing except software specific to the Infant Business or Churchill Weavers, UPC codes, and all translations, adaptations, derivations, and combinations thereof, all license agreements, rights of use, applications, registrations, and renewals in connection therewith and all rights to royalties or other payments with respect thereto or arising therefrom, including the matters described on Schedule 1.01(e)(vii) and any and all such rights arising from Contracts (collectively the "Intellectual Property").

(viii) CERTAIN RIGHTS. All guarantees, warranties, indemnities and similar rights with respect to, or covering, any of the Acquired Assets.

(ix) INTANGIBLE PERSONAL PROPERTY AND GOODWILL. Except as provided in Section 1.03(a), the Business and all intangible personal property and goodwill of the Business not otherwise described in Section 1.01(e), including all licenses, permits, vendor or customer numbers or codes and all other rights, permissions and identifications of every kind or nature, including RN numbers of CCD.

(x) DISPUTED CLAIMS. Except as provided in Schedule 1.01(e)(x), all rights to collect or receive the proceeds of any and all causes of action, lawsuits, judgments, disputed customer charge-backs, supplier charge-backs, claims and demands of any nature existing, potentially existing, available or potentially available with respect to the Business or the ownership, use, function or value of the Acquired Assets.

(xi) PREPAYMENTS. All credits, prepaid royalties, prepaid expenses, rental payments, association fees, deferred charges, advance payments, security deposits, funds advanced to customers and prepaid items relating to, or arising out of, the operation of the Business or with respect to any of the Real Property, the New York Apartment Property or other Acquired Assets, including those listed on Schedule 1.01(e)(xi) (the "Prepayments"), and such amounts shall not be subject to proration except as expressly provided in Section 1.08.

(f) SELLER'S ASSIGNMENT OF ACQUIRED ASSETS TO CCD. At the Closing, Seller shall sell, transfer and assign, and cause its subsidiaries and Affiliates to sell, transfer and assign to CCD before the Effective Time, all of the respective rights, title and interest of each in and to any and all of the Acquired Assets such that CCD is vested immediately before the Effective

Time and the Surviving Corporation becomes vested at the Effective Time with good and legal title in and to all of the Acquired Assets free and clear of all Liens except Permitted Liens.

SECTION 1.02 SPECIFIED ASSETS. As of the Closing Date, the Buyer shall cause the Surviving Corporation to purchase all of the Specified Assets for the Purchase Price, which Specified Assets shall consist of the following assets and real property: (i) all real property leased or subleased by Seller and/or CCD described on Schedule 1.02(i) (collectively, the "Leased Real Property") and all real property leases (collectively, the "Leases"), licenses, permits, approvals and qualifications relating thereto; (ii) all real property owned by Seller described on Schedule 1.02(ii) (collectively, the "Owned Real Property") (the Leased Real Property and the Owned Real Property are referred to collectively as the "Real Property"); and (iii) all easements, licenses, rights and appurtenances relating to the Real Property or the New York Apartment Property.

SECTION 1.03 EXCLUDED ASSETS AND LIABILITIES.

(a) EXCLUDED ASSETS. As of the Closing Date, neither the Surviving Corporation, the Buyer nor CCD will own, hold title to, acquire, have or retain any rights, title or interest in or to any of the following assets or any of the assets identified on Schedule 1.03(a) (collectively the "Excluded Assets"):

(i) the name and mark Crown Crafts, Inc., in whole or in part, or any name or mark derived therefrom, other than as provided in Section 1.10 hereof and any related internet domain names;

(ii) the income tax net operating loss carryforward of CCD (which shall be assigned by CCD to Seller at or prior to Effective Time);

(iii) the Non-Business Assets;

(iv) except as may otherwise be provided in the Sublease, all real property and real property leases which are not included in the Specified Assets, together with all structures, fixtures, mechanical systems, easements, permits, licenses, rights and appurtenances relating thereto;

(v) all shares of stock or other equity securities of subsidiary corporations or other corporations or entities, which are not included in the Specified Assets;

(vi) the Infant Business and all assets, accounts receivable, inventories, real property, equipment, leasehold improvements, contracts and agreements, intellectual property, marketing materials, prepayments, records, product lines or other tangible or intangible personal property of any kind or nature, wherever located, primarily relating to or primarily used or held for use in connection with the Infant Business;

(vii) all claims or potential claims for refunds or credits with respect to any taxes attributable to any period before the Closing Date, without

regard to whether such claims or credits arise with respect to the Business; or

(viii) all leased personal property (including motor vehicles) that is not listed on Schedule 1.01(e)(ii) or later disclosed to Buyer and accepted by Buyer in writing as provided in Section 1.01(e)(ii).

(b) QUITCLAIM OF ASSETS BY CCD. CCD shall quitclaim to Seller all of its right, title and interest in and to any and all of the Excluded

Assets such that, as of the Closing Date, CCD will not have, hold, acquire or retain any right, title or interest in or to any of the Excluded Assets, and the Surviving Corporation and Buyer shall never have, hold, acquire or retain any right, title or interest in or to any of the Excluded Assets.

(c) EXCLUDED LIABILITIES. As of the Closing Date, neither CCD, the Buyer nor the Surviving Corporation shall retain, have or assume any liability, obligation or responsibility for, or with respect to, any of the following liabilities, obligations or commitments or any of the liabilities, obligations or commitments identified on Schedule 1.03(c) (collectively the "Excluded Liabilities"):

(i) all liabilities, obligations and commitments of Seller or CCD relating to or arising out of the operation of the Business or the ownership or use of the Acquired Assets and the Specified Assets prior to the Closing Date other than those expressly included in the Assumed Liabilities;

(ii) all Past Due Amounts of every kind and nature, however arising, whether related or unrelated to the Business, including those liabilities and obligations which, but for being Past Due Amounts, would be included in the Assumed Liabilities;

(iii) any claw-back of any payment received by Seller or CCD prior to the Closing Date whether arising with respect to the Business or otherwise and whether based on preferential payment, fraudulent transfer or any other void or voidable transaction of any kind or nature;

(iv) all liabilities and obligations of Seller or CCD to file reports, returns, statements or the like or to pay or make deposits with respect to any taxes arising during or from, or attributable to, any period prior to the Closing Date;

(v) all liabilities of Seller for severance payments arising on or before the Closing Date;

(vi) all accrued but unpaid salaries, wages, bonuses, incentive compensation, holiday pay, sick pay, or other compensation or payroll items (including deferred compensation) in respect of the Transferred Employees of Seller and CCD prior to the Closing Date;

(vii) all liabilities or obligations arising from the participation by Transferred Employees in, the accrual of benefits or compensation under, or the failure to participate in or to accrue compensation or benefits under, any Plan or other employee or retiree benefit or compensation plan, program, practice, policy, agreement or arrangement of Seller or CCD prior to the Closing Date;

(viii) all liabilities or obligations relating to or arising in connection with any and all claims for workers' compensation benefits as set forth in Section 4.03;

(ix) all liabilities and obligations of Seller and/or its Affiliates which do not relate to or arise out of the operation of the Business or the ownership or use of the Acquired Assets or the Specified Assets, including customer charge-backs, customer credits and customer adjustments arising with respect to the Infant Business;

(x) all liabilities and obligations of Seller and/or its Affiliates with respect to the Discontinued Woven Products Accounts for customer rebates or customer charge-backs, customer credits or customer adjustments first asserted on or after the Closing Date; and

(xi) all product liability claims arising from or with respect to goods shipped by Seller or any of its Affiliates (other than CCD) prior to the Closing Date except that, in the event either Buyer or the Surviving Corporation is able to obtain product liability insurance coverage, without additional premium cost, for claims against CCD arising out of the shipment of goods or products prior to Closing, then such liabilities shall not be Excluded Liabilities for purposes of this Agreement.

(d) SELLER'S ASSUMPTION OF LIABILITIES. Seller shall assume and agree to pay, perform or otherwise discharge any and all liabilities, obligations commitments of CCD with respect to all of the Excluded Liabilities such that (i) as of the Closing Date, CCD and the Surviving Corporation will have no liability, obligation or responsibility for any of the Excluded Liabilities, except liabilities (which arose in the ordinary course of the business of CCD), for which Seller shall have assumed liability and undertaken indemnity obligations at Closing, and (ii) Buyer never assumes or becomes liable for any Excluded Liability.

SECTION 1.04 ASSUMED LIABILITIES.

(a) On the terms and subject to the conditions set forth herein, and in consideration of the Merger Consideration, immediately before and at the Effective Date, CCD shall, except for the Excluded Liabilities, assume and be or become liable for the payment and/or performance of, and Buyer shall cause the Surviving Corporation to pay and discharge directly when due, the following Contracts, obligations and liabilities (collectively, the "CCD Liabilities"): (i) all of the obligations of Seller and CCD outstanding as of the Closing Date to fill

customer orders with respect to the Business; (ii) all commitments of Seller and CCD outstanding as of the Closing Date for the purchase of raw materials, supplies and services with respect to the Business (A) as set forth on Schedule 1.04(a)(ii) but only to the extent that such commitments do not include any Past Due Amounts and (B) any such commitments outstanding as of the Closing Date that are not set forth on such schedule and of which Buyer has Knowledge as of the Effective Time (each an "Unlisted Commitment") to the extent that such Unlisted Commitment does not exceed $10,000 and does not include any Past Due Amounts and provided that the aggregate of all such Unlisted Commitments shall not exceed $200,000; (iii) all of the obligations and liabilities of Seller and CCD arising out of shipments made pursuant to customer routing guides, the terms and conditions of all customer purchase orders and the agreements, contracts and commitments set forth on Schedule 1.01(e)(ii); (iv) all obligations arising on or after the Closing Date under Contracts, including the Calvin Klein License, but only to the extent that such obligations do not include any Past Due Amounts, liabilities under any Personal Property leases not listed on Schedule 1.01(e)(ii) or liabilities arising from Contracts of which Buyer does not have Knowledge as of the Effective Time; (v) all obligations arising on or after the Closing Date under Leases; (vi) all commissions payable to non-employee salespersons of Seller and CCD in respect of orders booked by Seller for the Business but not shipped prior to the Closing Date; (vii) all obligations of Seller under the deferred compensation agreements with Philip Bernstein identified on Schedule 1.04(a)(vii); (viii) all trade accounts payable of Seller and CCD arising from the conduct of the Business in the ordinary course but only to the extent such payables do not include any Past Due Amounts other than any Past Due Amounts that came due at anytime after July 20, 2001; (ix) all other liabilities of Seller and CCD arising from the conduct of the Business in the ordinary course and identified on Schedule 1.04(a)(ix) but only to the extent such liabilities do not include

any Past Due Amounts; (x) all liabilities and obligations pertaining to the operation and ownership of the Business arising on or after the Closing Date; and (xi) all customer charge-backs, customer credits and customer adjustments arising with respect to the Business. Notwithstanding the foregoing, any other provision hereof, or any Schedule or Exhibit hereto, or any disclosure to Buyer, the Assumed Liabilities shall not, in any circumstance, include any Excluded Liability.

(b) At the Closing, (i) the Surviving Corporation shall assume and agree to pay and perform on a timely basis all of the Assumed Liabilities, if any, for which it is not then liable by executing and delivering to Seller an assumption agreement in a form reasonably satisfactory to Seller and (ii) Seller shall assume and agree to pay and perform on a timely basis all of the Excluded Liabilities, if any, for which it is not then liable.

SECTION 1.05 PAYMENT OF MERGER CONSIDERATION AND PURCHASE PRICE. At the Closing, Buyer shall cause the Surviving Corporation to pay Seller, by wire transfer in immediately available funds to an account designated by Seller in writing, the sum of Eight Million Five Hundred Thousand Dollars ($8,500,000), which shall be comprised of the Merger Consideration ($6,348,912.66) and the Purchase Price ($2,151,087.34). The Merger Consideration and the Purchase Price shall be subject to adjustment as provided in Section 1.08(b) below.

SECTION 1.06 ALLOCATION OF PURCHASE PRICE; TAX BASIS. The parties agree (i) that the Purchase Price shall be allocated as set forth in Schedule 1.06 and (ii) that any Acquired Assets transferred to CCD by Seller or any of its Affiliates in connection with the

consummation of the transactions contemplated hereby shall be transferred at book value. The Purchase Price allocation shall be determined by Buyer and agreed to by Seller. Buyer and Seller agree that neither will take a position on any income tax return, before any governmental agency charged with the collection of any income tax or in any judicial proceeding that is in any manner inconsistent with the terms of this Section 1.06 without the written consent of the other party.

SECTION 1.07 TRANSFER TAXES. Buyer and Seller shall each pay an equal share of all sales, real estate, transfer, documentary, stamp and use taxes, if any, arising out of the transfer or conveyance of the Acquired Assets.

SECTION 1.08 PRORATION.

(a) The liabilities and obligations of Seller for property taxes relating to the Real Property or the New York Apartment Property shall be prorated as of the Closing Date with liabilities accrued before the Closing Date charged to Seller and prepayments attributable to periods on or after the Closing Date credited to Seller:

(b) The liabilities and obligations of Seller and/or CCD for personal property taxes shall be prorated as of the Closing Date based on the return value of the Acquired Assets, determined in the same manner as the property tax evaluation, as of the Closing Date and amounts so apportioned shall be paid by the Surviving Corporation.

SECTION 1.09 CONSENT OF THIRD PARTIES.

(a) Seller and Buyer shall use their reasonable efforts to obtain all necessary consents for the assignment to the Surviving Corporation of all Contracts listed on Schedule 1.01(e)(ii), including consents to the assignment of or otherwise necessary with respect to the Calvin Klein License, the agreements between Seller and Kitan, the Leases, the "CDS" contract and any material Personal Property leases, license agreements or other Contracts included in the Acquired Assets.

(b) Notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute an agreement to assign or transfer any license, instrument, Contract, Lease, permit, governmental approval or other agreement or arrangement or any claim, right or benefit arising thereunder or resulting therefrom if an assignment or transfer or an

attempt to make such an assignment or transfer without the consent of a third party would constitute a breach or violation thereof or affect adversely the right of Buyer or Seller thereunder; and any transfer or assignment to Buyer by Seller of any interest under any such instrument, contract, lease, permit or other agreement or arrangement that requires the consent of a third party shall be made subject to such consent or approval being obtained. In the event any such consent or approval is not obtained on or prior to the Closing Date, Buyer and Seller shall continue to use all reasonable efforts to obtain any such approval or consent after the Closing Date until such time as such consent or approval has been obtained, and Seller will cooperate with Buyer in any lawful and economically feasible arrangement to ensure that Buyer shall receive the interest of Seller in the benefits under any such instrument, contract, lease or permit or other agreement or arrangement, including performance by Seller as agent, if economically

feasible; provided that Buyer shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefit to the extent Buyer would have been responsible therefor hereunder if such consent or approval had been obtained; and provided further that nothing herein shall require Seller to pay or forfeit any fees or make any other type of payment to any of the licensors described in Section 1.08(a) other than payments due under existing agreements in order to obtain their consent to the transfer or assignment of the licenses listed thereon, it being understood that any such fees and payments which are paid with Buyer's consent shall be the sole responsibility of Buyer. Nothing in this Section 1.09 shall be deemed a waiver by Buyer of the requirement of this Agreement that CCD shall have received on or before the Effective Date an effective assignment of all of the Acquired Assets nor shall this Section 1.09 be deemed to constitute an agreement to exclude from the Acquired Assets any assets described under Section 1.01(e) of this Agreement.

SECTION 1.10 SELLER LICENSE AGREEMENT. At the Closing, Buyer, CCD and Seller shall execute and deliver a license agreement substantially in the form of Exhibit "B" hereto which will grant Surviving Corporation (i) a royalty free right to use Seller's adult bedding brand and logo for three (3) years from the Closing with respect to Costco Wholesale Corporation and otherwise for two (2) years from the Closing, provided that Buyer and Surviving Corporation shall use their best efforts to change said brand and logo as soon as reasonably practicable after the Closing Date; and (ii) a royalty free right to use Seller's RN numbers related to the Business until the earlier of two (2) years from the Effective Date or when all labels and inserts included in the Acquired Assets are depleted, whichever first occurs (the "Seller License Agreement"). Notwithstanding the foregoing, in the event of (i) a sale of majority ownership or control of Seller to any Person (other than Seller's lender banks) who, prior to such sale, was not an Affiliate of Seller, (ii) a merger, consolidation or reorganization of Seller as a result of which the shareholders of Seller immediately before any such merger, consolidation or reorganization own less than a majority of the combined voting power of the entity resulting from any such merger, consolidation or reorganization, or (iii) a sale, exchange or other disposition of a majority of Seller's assets to any Person who, prior to such sale, exchange or other disposition, was not an Affiliate of Seller; then, in each such case, Surviving Corporation shall cease using Seller's adult bedding brand and logo on any goods shipped more than one hundred eighty (180) days after the consummation of any of the foregoing transactions.

SECTION 1.11 PHYSICAL INVENTORY. Immediately prior to the Closing Date, Seller, at its own expense, shall conduct (or cause to be conducted) a physical count of the Inventory, which shall be observed by representatives of Buyer's accounting firm, Buyer, Buyer's financing source and Seller and/or Seller's designee. Buyer shall, at its own expense, reconcile, document and book the physical inventory.

ARTICLE II. REPRESENTATIONS AND WARRANTIES

SECTION 2.01 REPRESENTATIONS AND WARRANTIES OF SELLER. As a material inducement to enter into this Agreement and all other documents to be executed in connection with this Agreement (the "Related Agreements"), Seller represents and warrants to Buyer as follows, and acknowledges and confirms that Buyer is relying upon such representations and warranties in connection with the

execution, delivery and performance of this Agreement, notwithstanding any investigation made by Buyer or on its behalf:

(a) ORGANIZATION AND STANDING. Each of Seller and CCD validly exists under the laws of its jurisdiction of organization. At Closing, Seller shall deliver to Buyer complete and correct copies of the Articles or Certificate of Incorporation and Bylaws of Seller, and CCD in effect on the date hereof.

(b) AUTHORIZATION AND BINDING EFFECT; NO VIOLATION. Seller has all requisite power and authority to execute, deliver and perform this Agreement and the Related Agreements. This Agreement has been duly and validly authorized, executed and delivered by Seller, and constitutes the legal, valid and binding obligation of Seller, enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, reorganization, insolvency and other similar Laws (as hereinafter defined) or equitable principles relating to or affecting the enforcement of rights of creditors generally. All other actions and proceedings required by the Articles of Incorporation and Bylaws or otherwise of Seller and CCD in order to authorize the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, have been duly taken.

(c) VIOLATIONS AND CONSENTS. Except as set forth on Schedule 2.01(c), the execution, delivery and performance by Seller (and/or CCD) of this Agreement does not and will not (i) contravene or breach or constitute a default under any term or provision of the Articles of Incorporation or Bylaws of Seller, (ii) constitute a violation of any statute, ordinance, judgment, order, decree, regulation or rule of any court, governmental authority or arbitrator or, any license, permit or franchise applicable or relating to Seller, CCD, the Business or the Acquired Assets, or (iii) result in the creation of any Lien other than a Permitted Lien upon any of the Acquired Assets pursuant to the provisions of any of the foregoing, or (iii) require any governmental approval or other consent to be obtained by Seller or CCD.

(d) FINANCIAL STATEMENTS. Seller has heretofore furnished to Buyer a balance sheet (the "Balance Sheet") as of April 1, 2001 and a statement of gross profit for the CCD portion of the Business for the year ending April 1, 2001 (the "Financial Statements"). To the best Knowledge of Seller, (i) the Financial Statements, subject to the notes thereto, have been prepared from the books and records of Seller and CCD and present fairly in all material respects the information contained therein for the periods covered thereby, (ii) the Balance Sheet has been prepared in accordance with GAAP, and (iii) except as disclosed in the notes thereto, the Financial Statements do not contain any items of extraordinary income or other income not earned in the ordinary course of business.

(e) INSURANCE. Schedule 2.01(e) contains a complete and correct list and summary description of all insurance policies maintained by Seller and CCD for the benefit of or in connection with the Acquired Assets or the Business. Such policies are in full force and effect, all premiums due thereon have been paid, and Seller has complied in all material respects with the terms and provisions thereof. Except for workers' compensation and medical insurance claims arising in the ordinary course of business, there are no claims pending or, to the best Knowledge of Seller, Threatened, under any of said policies in respect of the Business, no disputes with underwriters are pending or, to the best Knowledge of Seller, Threatened and all premiums due and payable in respect of such policies have been paid. Seller has not been refused any insurance with respect to the Business by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the past five (5) years.

(f) LITIGATION AND COMPLIANCE.

(i) There is no action, suit, claim or proceeding pending or, to the best Knowledge of Seller,

Threatened with respect to CCD, the Business or the Acquired Assets or with respect to the transactions contemplated by this Agreement.

(ii) There are no pending or, to the best Knowledge of Seller, Threatened actions for condemnation or other taking by any governmental or quasi-governmental authority with respect to any portion of the Real Property.

(iii) Seller and CCD are in material compliance with, are not in default or violation under, and, to the best Knowledge of Seller, no valid basis exists for any claim of noncompliance, default or violation with respect to, any Law applicable to the Business or CCD. Seller and CCD are not subject to any judgment, order or decree entered in any lawsuit or proceeding that has or may have a material adverse effect upon the Business. All governmental licenses, consents, authorizations and permits required in connection with the Business and the operations of CCD have been obtained and are in full force and effect, other than those that, if not obtained or in full force and effect, could not reasonably be expected to have a material adverse effect on the Business or CCD.

(g) TAXES AND OTHER PAYMENTS. With respect to all periods prior to the Closing Date, Seller has paid, or will timely pay, all federal, state, local and foreign taxes, including sales, use, real property and personal property taxes, penalties and other payments required, as the case may be, to be paid or currently due in respect of the Business, the Acquired Assets and CCD for all periods prior to the Closing Date; the payment of any such tax is not in default; and Seller has duly filed, or will timely file, all tax reports, returns, statements and the like required to be filed by Seller in respect of the Business and CCD for all periods prior to the Closing Date. Seller has not received any notice with respect to, and has no Knowledge of, any pending or impending special assessments with respect to the Real Property or any tax deficiency outstanding, proposed or assessed against it, nor has it executed any waiver of any statute of limitations on the assessment or collection of any tax. There are no tax liens upon, pending against or, to the best Knowledge of Seller, Threatened, against Seller or CCD in respect of the Acquired Assets. Seller has made and transmitted, or will make and transmit in a timely manner, to the appropriate taxing authorities all required employee withholding payments with respect to the Business and CCD. True and correct copies of all real and personal property tax bills for the year 2000 in the possession of Seller relating to the Acquired Assets are attached hereto as Schedule 2.01(g).

(h) REAL PROPERTY.

(i) Except for Liens to be satisfied and released on or before the Closing Date and described on Schedule 2.01(h)(i) and Permitted Liens,

Seller has, and on the Closing Date will have, good, valid and marketable fee simple title to the Owned Real Property, free and clear of all Liens. There are no outstanding options or rights of first refusal to purchase the Owned Real Property or any portion thereof or interest therein granted by Seller, and, to the best Knowledge of Seller, no other Person whatsoever has any deed, contract, lease or other evidence of any right or interest in or to the Owned Real Property other than Permitted Liens.

(ii) Seller has delivered to Buyer correct and complete copies of all Leases. To the best Knowledge

of Seller, each Lease is legal, valid, binding, enforceable, and in full force and effect, except as may be limited by bankruptcy, insolvency, reorganization and similar laws affecting creditors generally and by the availability of equitable remedies. To the best Knowledge of Seller, Seller is not in default, violation or breach in any respect under any Lease, and, to the best Knowledge of Seller, no event has occurred and is continuing that constitutes or, with notice or passage of time or both, would constitute a material default, violation or breach under any Lease. To the best Knowledge of Seller, each Lease grants the tenant under the Lease the exclusive right to use and occupy the demised premises thereunder. Except for Liens to be satisfied and released on or before the Closing Date and described on Schedule 2.01(h)(ii) and Permitted Liens, to the best Knowledge of Seller, Seller has good and valid title to the leasehold estate or other interest granted under each Lease free and clear of all Liens arising by, through or under Seller. To the best Knowledge of Seller, Seller enjoys peaceful and undisturbed possession under the Leases for the Leased Real Property. The remaining term on each Lease is set forth on Schedule 2.01(h)(ii).

(iii) To the best Knowledge of Seller, (i) the Ownership Agreement is legal, valid, binding, enforceable and in full force and effect, except as may be limited by bankruptcy, insolvency, reorganization and similar laws affecting creditors generally and by the availability of equitable remedies, (ii) Seller is not in default, violation or breach in any respect under the Ownership Agreement, and (iii) except for Liens to be satisfied and released on or before the Closing Date and described on Schedule 2.01(h)(iii) and Permitted Liens, Seller's rights and interests under the Ownership Agreement in and to the New York Apartment Property are free and clear of Liens arising by, through or under Seller.

(iv) To the best Knowledge of Seller, there are no eminent domain or other similar proceedings pending or Threatened affecting any portion of the Real Property. To the best Knowledge of Seller, there is no writ, injunction, decree, order or judgment outstanding, nor any action, claim, suit or proceeding pending or Threatened relating to the ownership, lease, use, occupancy or operation by any Person of any Real Property.

(v) To the best Knowledge of Seller, the use and operation of the Real Property in the conduct of the Business does not violate any instrument of record or agreement affecting the Real Property. To the best Knowledge of Seller, there is no violation of any covenant, condition, restriction, easement or order of any governmental authority having jurisdiction over such property or any other Person entitled to enforce the same affecting the Real Property or the use or occupancy thereof.

(vi) To the best Knowledge of Seller, the Real Property complies with all applicable building, zoning, subdivision and other land use and similar applicable Laws affecting the Real Property (collectively, the "Real Property Laws"), and Seller

has not received any notice of violation or claimed violation of any Real Property Law. To the best Knowledge of Seller, there is no pending or anticipated change in any Real Property Law that will have or result in a material adverse effect upon the ownership, alteration, use, occupancy or operation of the Real Property or any portion thereof. To the best Knowledge of Seller, no current use by Seller of the Real Property is dependent on a nonconforming use or other governmental approval the absence of which would materially limit the current use of such properties or assets held for use in connection with, necessary for the conduct of, or otherwise material to, the Business.

(vii) Each parcel included in the Owned Real Property is assessed for real property tax purposes as a wholly independent tax lot, separate from adjoining land or improvements not constituting a part of that parcel. Except as set forth on Schedule 2.01 (h)(vii), Seller has not received actual notice of any contemplated or actual reassessments of the Owned Real Property or any part thereof for general real estate tax purposes. No assessments for public improvements impact fees or similar exactions have been made against the Owned Real Property that remain unpaid.

(i) ENVIRONMENTAL MATTERS.

(i) Schedule 2.01(i)(i) contains a true, complete and accurate listing of, and Seller has delivered, or caused to be delivered, to Buyer true and complete copies of, all environmental site assessments, test results, analytical data, boring logs, and other environmental reports and studies conducted by, at the expense of, or on behalf of Seller or CCD or that are otherwise in the possession of Seller or CCD, including a Phase I environmental assessment and compliance audit with respect to the Roxboro, North Carolina Leased Real Property.

(ii) Other than as set forth on Schedule 2.01(i)(ii):

(A) (1) there has not been, during the period which Seller and/or CCD has owned, leased, operated, managed or occupied the Real Property (" Ownership Period"), any Pollution at the Real

Property or any facilities used for or in connection with the Business, (2) to the best Knowledge of Seller, there was no Pollution (as hereinafter defined) at the Real Property prior to the date of commencement of the Ownership Period, and (3) during the Ownership Period, there have been no actions, activities, circumstances, conditions, events or incidents that could reasonably be expected to form the basis of any claim against Seller under any Environmental Law (as hereinafter defined);

(B) during the Ownership Period, the use, storage, disposal and transportation of all Hazardous Materials (as hereinafter defined) by Seller and/or CCD to, at and

from the Real Property has been in compliance with all applicable Laws, Seller has not directly or indirectly disposed of any Hazardous Material at a CERCLA (Superfund) (as hereinafter defined) or HSRA (as hereinafter defined) site, and Seller has not received any notice alleging that any Pollution exists upon any portion of the Real Property;

(C) Seller and/or CCD, as the case may be, has obtained all permits, licenses, approvals, consents, orders, and authorizations which are required under Environmental Laws ("Environmental Permits") in connection with the Business or the ownership, use or lease of the Acquired Assets, and which, if not so obtained, would cause a material adverse effect on the ownership, operation or disposal of the Business or the Acquired Assets, taken as a whole, and paragraph (C) of Schedule 2.01(i)(ii) contains a complete list and description of all such Environmental Permits,

(D) except as described in paragraph (C) of Schedule 2.01(i)(ii), Seller and/or CCD, as the case may be, are in material compliance with each such Environmental Permit (including any information provided on the applications therefor), and no Environmental Permit restricts Seller from operating the Business or any equipment or other Personal Property covered by such Environmental Permit as currently being conducted; and

(E) neither Seller nor CCD has entered into or received, nor is Seller or CCD in default under, any consent decree, compliance order, or administrative order issued by any agency, or any judgment, order, writ, injunction or decree of any federal, state, or municipal court or other governmental authority relating to Environmental Laws;

(iii) With respect to CCD, the Business and the Acquired Assets:

(A) there are no actions, suits, claims, arbitration proceedings, or complaints pending or, to the best Knowledge of Seller,

Threatened by any governmental authority, municipality, community, citizen or other entity against Seller or CCD relating to environmental protection, compliance with Environmental Laws or the condition of any of the Real Property, nor is Seller aware of any unasserted action, suit, claim, proceeding or complaint the assertion of which is probable. Neither Seller nor CCD has been notified of any potential liability of Seller or CCD under, or received any requests for information or other correspondence concerning any site or

facility under, nor has Seller or CCD received any notice that it is considered potentially liable under, CERCLA or HSRA, or any similar law;

(B) all above-ground and underground storage tanks, oil/water separators, sumps, and septic systems located on the Real Property have been identified in Schedule 2.01(i)(iii)(B), together with a description of the materials stored therein and a statement as to whether such tanks are currently used by Seller;

(C) all transformers located on the Real Property containing polychlorinated biphenyls (PCBs) have been identified in Schedule 2.01(i)(iii)(C);

(D) no lien has arisen or is, to the best Knowledge of Seller, Threatened on or against any of the Acquired Assets under or by reason of any Environmental Laws; and

(E) Seller and CCD are in material compliance with all Environmental Laws.

(iv) For purposes of this Agreement:

(A) "Environmental Law" shall mean all Laws which are administered, interpreted or enforced by the United States Environmental Protection Agency and/or state and local agencies with primary jurisdiction over pollution or protection of the environment.

(B) "Hazardous Material" or "Hazardous Materials" shall mean any and all substances, wastes, materials, chemicals, pollutants, contaminants, equipment or fixtures defined or classified as "toxic," "hazardous," "hazardous waste" or other words of similar import by or otherwise regulated under any Environmental Law, including asbestos, petroleum and petroleum-based products or byproducts and any constituents thereof, polychlorinated biphenyls (PCBs), and all substances, wastes and materials defined or classified as a "solid waste" or "hazardous waste" as those terms are defined in the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, as amended (42 U.S.C.

6901 et seq.) ("RCRA"); any "pollutant" or "toxic pollutant" as those terms are defined under the Clean Water Act, as amended (33 U.S.C. 1251 et seq.); any "air pollutant" or "hazardous air pollutant" as those terms are defined under the Clean Air Act, as amended (42 U.S.C. 7401 et seq.); "hazardous substance" as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. 9601 et seq.) and amendments thereto ("CERCLA"); any "regulated substance" as that term is defined in the Georgia Hazardous Site Response Act,

O.C.G.A ss.ss.12-8-90 et seq. ("HSRA"), and any other substance, waste or material regulated under applicable state Laws relating to the prevention and control of water, land, groundwater or air pollution and contamination.

(C) "Pollution" shall mean the presence, discharge, disposal, dumping, spillage, burial, migration, leakage, placement, release or emission of any Hazardous Materials in, at, from, upon, over, under or across any parcel of land.

(j) EMPLOYEE BENEFIT PLANS AND RELATED MATTERS.

(i) Schedule 2.01(j) sets forth a true and complete list of each "Employee Benefit Plan", as such term is defined in Section 3(3) of ERISA, whether or not subject to ERISA, and each bonus, incentive or deferred compensation, severance, termination, retention, change of control, stock option, stock appreciation, stock purchase, phantom stock or other equity-based, performance or other employee or retiree benefit or compensation plan, program, arrangement, agreement, policy or understanding, whether written or unwritten, that provides or may provide benefits or compensation in respect of any employee or former employee employed or formerly employed in the operation of the Business or the beneficiaries or dependents of any such employee or former employee (such employees, former employees, beneficiaries and dependents collectively the "Employees" for purposes of this Section 2.01(j)) or under which any Employee is or may become eligible to participate or derive a benefit and that is or has been maintained or established by Seller, CCD or any other trade or business, whether or not incorporated, which, together with Seller, is or would have been at any date of determination occurring within the preceding six (6) years treated as a single employer under section 414 of the Code (such other trades and businesses collectively the "Related Persons"), or to which Seller or any Related Person contributes or is or has been obligated or required to contribute or with respect to which Seller or the Business may have any liability or obligation (collectively, the "Plans"). Seller has made correct and complete copies of all such Plans available to Buyer for review.

(ii) (A) No Plan is subject to section 412 of the Code or Section 302 or Title IV of ERISA.

(B) No liability has been or is expected to be incurred by Seller, CCD or any Related Person or the Business (either directly or indirectly, including as a result of an indemnification obligation) under or pursuant to Title I or IV of ERISA or the penalty, excise tax or joint and several liability provisions of the Code relating to Employee Benefit Plans that could, following the Closing Date, become or remain a liability of the Business or become a liability of Buyer or of any Employee Benefit Plan established or contributed to by Buyer and no event, transaction or condition has occurred or exists that could

reasonably be expected to result in any such liability to the Business or, following the Closing Date, the Surviving Corporation or the Buyer.

(C) No Lien exists or can reasonably be expected to exist, and no tax has been imposed or can reasonably be expected to be imposed, with respect to any Plan.

(D) No Plan is a "multi-employer plan" within the meaning of section 4001(a)(3) of ERISA or is a " multiple employer plan" within the meaning of section 4063 or 4064 of ERISA.

(E) No Transferred Employee is or may become entitled to post-employment benefits of any kind by reason of employment in the Business, including death or medical benefits (whether or not insured), other than (a) coverage provided pursuant to the terms of any Plan specifically identified as providing such coverage in Schedule 2.01(j) or mandated by section 4980B of the Code, (b) retirement benefits payable under any Plan qualified under section 401(a) of the Code, (c) deferred compensation incurred after the Closing Date in the ordinary course of business consistent with the prior practice of Seller pursuant to the terms of a Plan or (d) retention benefits payable by Seller previously approved by its Board of Directors.

(k) CONSENTS AND APPROVALS. Except as specified in Schedule 2.01(k), the execution, delivery and performance of this Agreement and the Related Agreements by Seller, and the consummation of the transactions contemplated hereby and thereby, will not require any notice to, action of, filing with, or consent, authorization, order or approval from, any court, administrative agency or other governmental authority or agency, or any other Person.

(l) LEASED PERSONAL PROPERTY. Except as set forth on Schedule 2.01(l), neither Seller nor CCD is in default as to its obligations with respect to any leases or bailment agreements relating to any Personal Property.

(m) CONTRACTS. Except as set forth on Schedule 2.01(m), all material Contracts, commitments, licensing agreements, purchase orders, work orders, and other

arrangements, including all amendments thereto, which relate primarily to the Business or the Acquired Assets and to which Seller or CCD is a party or is subject or by which Seller, CCD or the Acquired Assets are bound, all of which are valid and binding obligations of the respective parties thereto, enforceable in accordance with their respective terms, are in full force and effect, and are validly assignable as contemplated herein without the consent of any other Person.

(n) LICENSES AND PERMITS. To the best of their Knowledge, Seller and CCD lawfully obtained and currently possess the licenses and permits necessary to own and operate the Business, including state bedding licenses and permits, and all such licenses and permits are current as of the Closing Date. Seller and CCD have fulfilled and performed all of their material obligations thereunder, other than those that, if not obtained or currently possessed, could not reasonably be expected to have a material adverse effect on the Business, and Seller has delivered to Buyer true and complete copies of all such licenses and permits, which are listed on Schedule 2.01(n) (the "Scheduled Licenses and Permits"). Each of the Scheduled Licenses and Permits is valid and in full force

and effect and may be assigned and transferred in accordance herewith except as otherwise described on Schedule 2.01(n).

(o) LABOR RELATIONS; OSHA; EMPLOYEES.

(i) Neither Seller nor CCD is a party to, or bound by, any collective bargaining agreements, and there are no labor unions or other organizations representing, purporting to represent or attempting to represent any employees employed in the operation of the Business.

(ii) Except as provided in Section 1.04 with respect to Assumed Liabilities, within fourteen (14) days of the Closing Date, Seller will have paid in full to all employees employed in the operation of the Business all due and owing wages, salaries, commissions, bonuses, fringe benefit payments and all other direct and indirect compensation of any kind for all services performed by them through the Closing Date.

(iii) Seller and CCD are in compliance in all material respects with (a) all Laws dealing with employment and employment practices of any kind relating to CCD or the Business, (b) all of the terms and conditions of employment of any kind relating to CCD or the Business, and (c) all wage and hour requirements and regulations applicable to any employee employed by CCD or any employee employed by Seller in the operation of the Business.

(iv) There is no unfair labor practice, safety, health, discrimination or wage claim, charge, complaint, suit, arbitration or proceeding pending or, to the best Knowledge of Seller, Threatened against or involving Seller or CCD before the National Labor Relations Board, Occupational Safety and Health Administration, Equal Employment Opportunity Commission, Department of Labor, or any other federal, state or local agency.

(v) There is no grievance pending or, to the best Knowledge of Seller, Threatened which might have an adverse effect on CCD or the conduct of the Business.

(vi) Except as set forth in Schedule 2.01(o)(vi), Seller is in material compliance with the Occupational Safety and Health Act of 1970, the rules and regulations promulgated thereunder and all applicable state laws, rules and regulations regarding workplace and employee health and safety at all locations of the Business, including the Owned Real Property and the Leased Real Property; and Seller has not received any notice that past or present conditions of the any of the Acquired Assets violate any applicable legal requirements or otherwise can be made the basis of any claim, citation, proceeding or investigation based on or related to violations of employee health and safety requirements.

(vii) To the best Knowledge of Seller, Schedule 2.01(o)(vii) sets forth the maximum number of employees (the "Threshold Number") of each facility included in the Acquired Assets that may be terminated in connection with the transactions contemplated hereby without requiring compliance with the Workers Adjustment and Retraining Notification

Act of 1988, as amended, including the notification requirements thereof.

(p) PRODUCT WARRANTIES. To the best Knowledge of Seller, except for warranties under applicable law or as otherwise set forth on Schedule 2.01(p), (i) neither Seller nor CCD has made any warranties, express or implied, written or oral, with respect to any products designed, manufactured, marketed, imported, sold or distributed in connection with the Business, and (ii) there is no claim pending or, to the best Knowledge of Seller, Threatened against Seller or CCD under any warranty and, to the best Knowledge of Seller, there is no basis for any such claim.

(q) BROKERS. Except for Wachovia Securities, Inc., whose fees will be paid by Seller, Seller has not employed any investment banker, broker, investment advisor or finder in connection with the transactions contemplated hereby.

(r) BULK SALES. The transactions contemplated by this Agreement will not violate any state bulk sales law or any other Law.

(s) RELATED PARTY TRANSACTIONS. Except as set forth on Schedule 2.01(s), there are no Contracts or Assumed Liabilities under which the Surviving Corporation or Buyer will assume, acquire or retain any liability, obligation or commitment of or to Seller or any of its Affiliates (including any director or officer of Seller or any of their respective relatives).

(t) CCD STOCK. The authorized capital stock of CCD consists of 10,000 shares of common stock, $.001 par value per share. There are no other classes of securities issued or authorized to be issued by CCD. As of the date hereof, there are 100 shares of common stock outstanding, all of which shares are owned by Seller. Except as set forth on Schedule 2.01(t), there is not outstanding, nor is Seller or CCD bound by, any subscriptions,

warrants, options, preemptive rights, calls, commitments, synthetic stock, or agreements or rights of any character requiring CCD to issue, or entitling any person or entity to acquire, any additional CCD Stock or any other equity security of CCD, including any right of conversion or exchange under any outstanding security or other instrument, and CCD is not obligated to issue nor are Seller or CCD obligated transfer any shares of CCD Stock for any purpose. There are no outstanding obligations of CCD to repurchase, redeem or otherwise acquire any outstanding shares of its capital stock of the Issuer.

(u) [RESERVED]

(v) ACCOUNTS RECEIVABLE. To the best Knowledge of Seller, Schedule 2.01(v) is a true and complete list of Accounts Receivable as of Seller's fiscal month-end next preceding the Closing Date.

(w) TITLE; PERMITTED LIENS. All of the Acquired Assets are owned by Seller and/or CCD and are free and clear of all Liens of any kind whatsoever other than any matters described in Schedule 2.01(w) (the "Permitted Liens"). At Closing, Seller shall convey to Buyer good title to all of the Acquired Assets owned by Seller free and clear of all Liens of any kind whatsoever except Permitted Liens, and Seller shall convey good title to the CCD Stock to Buyer free and clear of all Liens of any kind whatsoever.

(x) AMOUNTS PAYABLE. Prior to the Closing Date, all obligations, accounts payable, required prepayments (including required Prepayments under the Calvin Klein License) and other liabilities of the Seller relating to the Business or CCD, including all obligations, accounts payable and other liabilities which, upon Closing Date, will become Assumed Liabilities, shall be paid on a current, timely basis, according to terms and there shall be no Past Due Amounts with respect thereto on the Closing Date.

(y) SOLVENCY. Seller shall have closed a restructuring of its debt with its primary lenders prior to Closing such that, as of the Closing Date and immediately thereafter, and after giving effect to its debt restructuring, to the best Knowledge of Seller, Seller, separately, and Seller and its Affiliates, on a combined basis, shall not be insolvent and shall not be left with an unreasonably small capital following the transactions contemplated

by this Agreement; and, as of the Closing Date, Seller and its Affiliates shall not have an intent to incur or a belief that it or they will incur debts that would be beyond their means to pay as such debts mature, as determined for purposes of 11 USC ss. 101(32), 11 USC ss. 548, O.C.G.A. ss.ss. 18-2-21 and 18-2-22 or other laws of similar import and applicability.

SECTION 2.02 REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer, for itself and its successors and assigns, represents and warrants to Seller as follows, and acknowledges and confirms that Seller is relying upon such representations and warranties in connection with the execution, delivery and performance of this Agreement, notwithstanding any investigation made by or on behalf of Seller:

(a) DUE ORGANIZATION. Buyer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all

requisite corporate power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(b) AUTHORIZATION AND BINDING EFFECT. The execution, delivery and performance of this Agreement by Buyer have been duly authorized by the Board of Directors of Buyer, and this Agreement constitutes the legal, valid and binding obligation of Buyer enforceable in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency and other similar Laws or equitable principles relating to or affecting the enforcement of rights of creditors generally. All other corporate proceedings required by the Certificate of Incorporation or Bylaws of Buyer or otherwise for the execution and delivery of this Agreement and the agreements contemplated hereby, and for the consummation of the transactions contemplated hereby and thereby, have been duly taken.

(c) NO VIOLATION. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby constitutes or will constitute a violation of, is or will be in conflict with, or constitutes or will constitute (i) a default under, any term or provision of the Certificate of Incorporation or Bylaws of Buyer or (ii) a violation of any statute, ordinance, judgment, order, decree, regulation or rule of any court, governmental authority or arbitrator or any license, permit or franchise applicable or relating to Buyer. No governmental approval or other consent is required to be obtained by Buyer in connection with the execution and delivery of this Agreement and the transactions contemplated hereby.

(d) BROKERS. Buyer has not employed any investment banker, broker or finder in connection with the transactions contemplated hereby.

ARTICLE III. ADDITIONAL COVENANTS AND AGREEMENTS

SECTION 3.01 ALL REASONABLE EFFORTS. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper and advisable under applicable laws and regulations to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement. If at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, including the execution of additional instruments, the parties to this Agreement shall take all such necessary action.

SECTION 3.02 PUBLIC ANNOUNCEMENTS. Buyer and Seller will consult with each other and will mutually agree (the agreement of each party not to be unreasonably withheld or delayed) upon the content and timing of any press release or other public statements with respect to the transactions contemplated by this Agreement and shall not issue any such press release or make any such public statement prior to such consultation and agreement, except as may be required by applicable Law or by obligations pursuant to any listing agreement with any securities exchange or any stock exchange regulations; provided, however, that each party will give prior notice to the other party of the content and timing of any such press release or other public statement required

by applicable Law or by obligations pursuant to any listing agreement with any securities exchange or any stock exchange regulations.

SECTION 3.03 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Buyer hereby acknowledges and agrees that Seller is not making any representation or warranty whatsoever, express or implied, except those representations and warranties of Seller explicitly set forth in this Agreement or in the Schedules hereto or in any certificate contemplated hereby and delivered by Seller in connection herewith. Subject to the foregoing, the Acquired Assets being acquired by Buyer at the Closing as a result of this Agreement and the transactions contemplated hereby shall be acquired by Buyer on an "as is, where is" basis and in their then present condition, and Buyer shall rely solely upon its own examination thereof. In any event, except as explicitly set forth herein, neither Seller nor any of its officers, directors, employees, Affiliates or representatives has made or is making any representation, express or implied, as to the value of the Business or the Acquired Assets, or any warranty of merchantability, suitability or fitness for a particular purpose or quality, with respect to any of the Acquired Assets, or as to the condition or workmanship thereof, or as to the absence of any defects therein, whether latent or patent.

SECTION 3.04 CONFIDENTIALITY.

(a) All information furnished by one party (the "disclosing party") to the other party (the "receiving party") in connection with this Agreement and the transactions contemplated hereby shall be kept confidential by the receiving party (and shall be used by it only in connection with this Agreement and the transactions contemplated hereby), except to the extent that such information (i) is or becomes generally available to the public other than as a direct or indirect result of disclosure by the receiving party (or any of its directors, officers, employees, agents, advisors or Affiliates (the "Agents")), (ii) becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party or any of its Agents (provided that such source is not known by the receiving party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party or any other Person with respect to such information), or (iii) is required to be disclosed in any document filed with the Securities and Exchange Commission, the Internal Revenue Service or any other governmental authority.

(b) If the receiving party or any of its Agents is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoena, civil investigative demand or other similar process) to disclose any of the confidential information, the receiving party shall use all reasonable efforts to provide the disclosing party with prompt written notice of any such request or requirement so that the disclosing party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or other remedy or the receipt of a waiver by the disclosing party, the receiving party or any of its Agents are nonetheless, based on the advice of counsel, required to disclose confidential information to any tribunal or else stand liable for contempt or suffer other censure or penalty, the receiving party or its Agents may, without liability hereunder, disclose to such tribunal only the portion of the confidential information which such counsel advises the receiving party is legally required to be disclosed. The receiving party shall exercise its best efforts to preserve the confidentiality of the confidential information, including by cooperating with the disclosing party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the confidential information by such tribunal.

(c) If the transactions contemplated by this Agreement shall fail to be consummated, the receiving party shall promptly cause all copies of documents or extracts thereof containing information and data as to the disclosing party to be returned to the disclosing party. If the transactions contemplated by this agreement are consummated, all information with respect to the Business shall be owned by and become the property of Buyer and the

Surviving Corporation, and Buyer and Surviving Corporation shall be deemed for all purposes hereunder to be the disclosing party and Seller shall be deemed to be the receiving party with respect to such information. Without limiting the foregoing, Seller and its Affiliates shall following the Closing (i) promptly turn over to the Surviving Corporation all information concerning the Business and not retain any such information except as necessary for securities compliance and tax filing purposes; and (ii) except as provided in Section 3.04(a), maintain the confidentiality of all information concerning the Business, including information concerning the identity of suppliers, historical financial information, costing, pricing, programs and policies of the Business.

SECTION 3.05 ENVIRONMENTAL PERMITS. Seller shall cause the Environmental Permits, if any, to be assigned or transferred, to the extent assignable or transferable, and reissued at the Closing to the Surviving Corporation to the extent permitted by law or the terms of such Environmental Permits.

SECTION 3.06 DISCHARGE OF LIENS AND ENCUMBRANCES. All liens, claims, charges, security interests, pledges, assignments or encumbrances relating to the Acquired Assets that are not Permitted Liens shall be satisfied, terminated and discharged by Seller on or prior to the Closing Date, and evidence reasonably satisfactory to Buyer and its counsel of such satisfaction, termination and discharge shall be delivered to Buyer at or prior to the Closing.

SECTION 3.07 CONVEYANCE OF TITLE TO OWNED REAL PROPERTY. Seller shall convey title to the Owned Real Property to the Surviving Corporation by limited or "special" warranty deed in a form customarily used in the locality in which the Owned Real Property is located, subject, however, to Permitted Liens. Each such deed shall be executed in accordance with the requirements of the laws of the state in which such Owned Real Property is located and shall be in such form as will permit the deed to be recorded. Seller shall transfer and assign to the Surviving Corporation the Leases and the Ownership Agreement, all of its rights in, to and under the Leases and the Ownership Agreement to the Leased Real Property and the New York Apartment Property, as the case may be, (and its rights in and to all deposits thereunder and all buildings, other structures, and improvements permitted to be retained or removed by the lessee thereunder) by transfer and assignment in form reasonably acceptable to Buyer and its counsel and to Seller with warranties consistent with those made by Seller in this Agreement and those contained in a limited or "special" warranty deed.

SECTION 3.08 SUBLEASE TO BUYER. Seller hereby agrees to sublease to the Surviving Corporation, and Buyer hereby agrees to cause the Surviving Corporation to sublease from Seller, a portion of the second floor office space located at 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328, by the execution and delivery at Closing of a sublease substantially in the form attached hereto as Exhibit "C" (the "Sublease"). The rent to be paid by the Surviving Corporation under the Sublease shall be $11,011.32 per month. Any increase in maintenance charges with respect to the second floor office space after January 1, 2002 shall be shared equally by Buyer and Seller.

SECTION 3.09 SHARED SERVICES AGREEMENT. Buyer and Seller hereby agree that the expenses of certain services and facilities shall be shared by the Surviving Corporation and Seller on the terms set forth in a Shared Services Agreement to be executed and delivered at Closing by the Surviving Corporation and Seller substantially in the form attached hereto as Exhibit "D" (the Shared Services Agreement").

SECTION 3.10 BOOKS AND RECORDS. Buyer agrees to give, and to cause the Surviving Corporation to give, Seller reasonable access during normal business hours to books and records purchased hereunder in order that Seller can satisfy all reporting obligations and file all required tax returns.

SECTION 3.11 FAIRNESS OPINION. At Closing, Wachovia Securities shall deliver a fairness opinion with respect to the transactions contemplated by this Agreement, which is acceptable in form and substance to Seller.

SECTION 3.12 ESTOPPEL CERTIFICATES; LANDLORD WAIVERS. Seller shall deliver to Buyer at or before Closing estoppel certificates addressed to Buyer from the lessor of each Lease, and the consent of the lessor to the Sublease,

dated within thirty (30) days of the Closing Date, identifying the Lease documents and any amendments thereto, stating that the Lease is in full force and effect and, to the best knowledge of the lessor, that the tenant is not in default under the Lease and no event has occurred that, with notice or lapse of time or both, would constitute a default by the tenant under the Lease, other than any such default that could not reasonably be expected to have an adverse effect on the Business, and containing any other information reasonably requested by Buyer. In addition, Seller shall deliver to Buyer, at or before Closing, such consents, waivers and certifications as are reasonably required by the lender which has committed to provide inventory financing and accounts receivable factoring to Buyer and/or the Surviving Corporation in a form reasonably satisfactory to such lender.

SECTION 3.13 BOARD OF DIRECTORS. At Closing, the members of the Board of Directors of Seller (the "Board") in office immediately prior to the Closing (the "Pre-Closing Members") shall take all steps necessary to elect or appoint E. Randall Chestnut, William T. Deyo, Jr., Steven E. Fox; Sidney Kirschner, Zenon S. Nie, William P. Payne, Donald Ratajczak and James A. Verbrugge to the Board, and the Pre-Closing Members shall immediately thereafter resign from the Board.

SECTION 3.14 SEVERANCE PROTECTION AGREEMENTS; RETENTION. At Closing,(i) those certain Severance Protection Agreements between Seller and each of Michael Bernstein, Rudy Schmatz, Paul Krum, Dennis Cochran, Glen Giordano, Angela Sanford and Dennis Jackson shall be terminated by mutual written consent; and (ii) each Transferred Employee shall be paid all amounts that remain in such Transferred Employee's account established under the "retention agreement" between Seller and such Transferred Employee.

SECTION 3.15 LETTERS OF CREDIT. At Closing, Buyer or the Surviving Corporation shall cause all letters of credit issued on behalf of Seller in respect of the Business to be replaced by letters of credit issued on behalf of the Surviving Corporation or, in lieu thereof, will pay Seller cash in the amount of such letters of credit, which cash will be returned to Buyer by Seller upon issuance of such replacement letters of credit.

SECTION 3.16 RIGHT OF FIRST REFUSAL. At Closing, Seller shall grant Buyer and the Surviving Corporation a right of first refusal to purchase any furniture or office equipment located at 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328 which is offered for sale by Seller on or after the Closing Date and before the expiration of the Sublease. Seller agrees that the public areas of Suite 200 will be shared with Buyer and the Surviving Corporation and that all furniture and furnishings in those areas will remain in place until the earlier of the expiration of the Sublease term or date on which there are no longer any employees of Seller employed at such location.

SECTION 3.17 NON-COMPETITION AGREEMENT. At Closing, the Buyer and Seller shall execute a Non-Competition Agreement substantially in the form attached hereto as Exhibit "E".

SECTION 3.18 BUYER FINANCING. Contemporaneously with the Closing the Buyer and the Surviving Corporation shall close a revolving credit and factoring facility to be provided by a bank or commercial finance company to Buyer which is to be secured only by Acquired Assets, shall have a maximum availability of no less than Nine Million Nine Hundred Thousand Dollars ($9,900,000), and shall provide an initial advance at Closing of not less than Eight Million Five Hundred Thousand Dollars ($8,500,000).

SECTION 3.19 MISDIRECTED PAYMENTS. Buyer and Surviving Corporation, on the one hand, and Seller and its Affiliates, on the other hand, agree that if either receives, or the factor of either receives, payments on accounts receivable or disputed accounts with respect to which the other is entitled hereunder to receive payment, that such payments will be delivered to the party entitled thereto (or credited to its factoring account) within 10 days of receipt of such payment.

SECTION 3.20 PRIMARY COVERAGE; EXCESS COVERAGE. Seller shall use its reasonable commercial efforts to obtain, at its own expense, either (i) a renewal of the Primary Coverage for an additional 12-month period on the same terms and conditions as the Primary Coverage or (ii) replacement coverage from a

different insurer on terms at least as favorable as the Primary Coverage and providing such coverage for the twelve (12) months immediately following the termination of the Primary Coverage. Additionally, Seller shall use its reasonable commercial efforts to obtain, at its own expense, either (i) a renewal of the Excess Coverage for an additional 12-month period on the same terms and conditions as the Excess Coverage or (ii) replacement coverage from a different insurer on terms at least as favorable as the Excess Coverage providing such coverage for the twelve (12) months immediately following the termination of the Excess Coverage.

ARTICLE IV. EMPLOYEES AND EMPLOYEE BENEFIT PLANS

SECTION 4.01 EMPLOYMENT OF SELLER'S EMPLOYEES.

(a) Those employees of Seller and CCD listed on Schedule 4.01(a) hereof will be given the opportunity to remain, or become, as the case may be, employees of the Buyer or the Surviving Corporation on the Closing Date ("Transferred Employees").

(b) For a period of two (2) years from the Closing Date, Buyer will not, and will not permit any of its Affiliates to, solicit, offer to employ or retain the services of or otherwise interfere with the relationship of Seller with any Person employed by or otherwise engaged to perform services for Seller in connection with its operation of the Infant Business. For a period of two (2) years from the Closing Date, Seller will not, and will not permit any of its Affiliates to, solicit, offer to employ or retain the services of or otherwise interfere with the relationship of Buyer with any Person employed by or otherwise engaged to perform services for Buyer in connection with the operation of the Business.

SECTION 4.02 WELFARE AND FRINGE BENEFIT PLANS.

(a) From and after the Closing Date, all Transferred Employees and their eligible dependents shall be eligible to participate in all Employee Benefit Plans, programs, policies and arrangements that Buyer or its Affiliates establish for such Transferred Employees as of the normal enrollment dates for such plans, programs, policies and arrangements. For purposes of such benefit plans, programs, policies and arrangements, Buyer or such Affiliate shall recognize the prior service of such employees with Seller for purposes of eligibility, vesting and benefit accruals thereunder; provided, however, that such prior service shall not be credited for purposes of benefit accrual under any defined benefit pension plan of Buyer or its Affiliates.

(b) No Transferred Employee (or eligible dependent thereof) who is eligible and who elects to be covered under any medical or disability insurance plan of Buyer or its Affiliates shall be excluded from coverage under such plan on the basis of a pre-existing condition that was not also excluded under the applicable Plan (as defined in Section 2.01(j)). To the extent that a Transferred Employee has satisfied in whole or in part any annual deductible or paid any out-of-pocket or co-payment expenses under a medical plan of Seller for a plan year, such individual shall be credited therefor under the corresponding provisions of the corresponding plan of Buyer or its Affiliates in which such individual participates for the plan year in which the Closing Date occurs.

(c) Seller shall be solely responsible for and retain all liabilities under all post-retirement welfare Plans covering Transferred Employees and employees whose employment is terminated in connection with the closing of the transactions contemplated hereby. Seller shall continue on and after the Closing Date to be solely responsible for COBRA continuation coverage, and shall take all actions necessary to maintain such coverage, for Transferred Employees whose COBRA qualifying event occurred before the Closing Date and for non-Transferred Employees (and their eligible dependents). Buyer shall be solely responsible for COBRA continuation coverage, and shall take all actions necessary to maintain such coverage, for Transferred Employees whose COBRA qualifying event occurred on or after the Closing Date. The term "COBRA" refers to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(d) Notwithstanding any other provision of this Agreement to the contrary, Seller shall indemnify, reimburse, defend and hold harmless

Buyer from and against any and all liabilities incurred by Buyer that are based upon, arising out of or otherwise related to any Plan (as defined in Section 2.01(j)).

SECTION 4.03 WORKERS' COMPENSATION AND HEALTH BENEFITS. From and after the Closing Date, Seller shall remain solely responsible for any and all liabilities to or in respect of any Employee, including a Transferred Employee, (i) relating to or arising in connection with any and all claims for workers' compensation benefits arising in connection with any occupational injury or disease occurring or existing prior to the Closing Date; and (ii) relating to or arising in connection with any and all claims for health insurance benefits arising in connection with any injury or disease occurring prior to the Closing Date. Buyer shall be and become solely responsible for any and all liabilities in respect of any Transferred Employee (i) relating to or arising in connection with any and all claims for workers' compensation benefits arising in connection with any occupational injury or disease occurring on or after the Closing Date and (ii) relating to or arising in connection with any and all claims for health insurance benefits arising in connection with any injury or disease occurring on or after the Closing Date.

ARTICLE V. CLOSING

SECTION 5.01 TIME AND PLACE. The Closing will take place at the offices of counsel to Seller (or at such other place as the parties may agree) on the Closing Date commencing at 9:00 a.m. or at such other time and place as is agreed by the parties.

SECTION 5.02 CLOSING MATTERS WITH RESPECT TO SELLER. At Closing, Seller shall or shall cause CCD or one or more of its other Affiliates to:

(i) deliver to Buyer and/or the Surviving Corporation a general instrument of sale, conveyance, assignment, transfer and delivery to CCD with full covenants of warranty as to good and marketable title to all the Acquired Assets (other than the Specified Assets) in a form reasonably satisfactory to Buyer;

(ii) deliver to Buyer and/or the Surviving Corporation such specific instruments of sale, conveyance, assignment, transfer and delivery to CCD with limited warranties in a form reasonably satisfactory to Buyer as to good and marketable title to such of the Acquired Assets included within such specific instrument of sale, conveyance, assignment, transfer and delivery as Buyer shall reasonably request, including transfer letters for UPC codes, transfers and assignments of CIT accounts, bedding permits, vendor numbers used by the Business;

(iii) deliver to Buyer and/or the Surviving Corporation all of Seller's contracts, books, records and other data relating to the Acquired Assets and the Business (except Seller's minute and stock books and all other records which Seller is required by law to keep in its possession, as to which Seller will furnish to Buyer, at Buyer's cost, at any time or from time to time after the Closing Date, copies or transcripts);

(iv) file with the Secretary of State of the State of Delaware a Certificate of Merger in the form attached hereto as Exhibit "A" and take all other and further actions as are necessary or appropriate to effectuate the Merger on the Closing Date;

(v) deliver to Buyer and/or the Surviving Corporation a certificate of Seller certifying to Buyer that each of the obligations and actions required to be performed by Seller, CCD or any of the Seller's other Affiliates pursuant to this Agreement have been duly performed and complied with in all

material respects, and that the representations and warranties of Seller contained in this Agreement are true and correct in all material respects as of the Closing Date (except as to any representation or warranty which specifically relates to an earlier date);

(vi) deliver to Buyer and/or the Surviving Corporation the Non-Competition Agreement duly executed by Seller;

(vii) deliver to Buyer and/or the Surviving Corporation the Shared Services Agreement duly executed by Seller;

(viii) deliver to Buyer and/or the Surviving Corporation the Seller License Agreement duly executed by Seller;

(ix) deliver to Buyer and/or the Surviving Corporation the Sublease duly executed by Seller;

(x) surrender all of the CCD Stock to the Surviving Corporation for cancellation;

(xi) deliver to the Surviving Corporation a stock power or powers, executed in blank, for all of the CCD Stock to be surrendered;

(xii) deliver to Buyer and/or the Surviving Corporation an executed limited or "special" warranty deed in the form contemplated by Section 3.07 hereof conveying good and marketable fee simple title to all of the Owned Real Property, executed and acknowledged by Seller and in a proper form for recording;

(xiii) deliver to Buyer and/or the Surviving Corporation instruments of sale, conveyance, assignment, transfer and delivery to the Surviving Corporation, all in a form reasonably satisfactory to Buyer, to the Leased Real Property and the New York Apartment Property (and the related Owners Agreement);

(xiv) affidavit(s) of title as to the Real Property stating that, with respect to matters arising by, through or under Seller, but not otherwise, (a) to the best of Seller's Knowledge, there are no parties in possession of any of the Owned Real Property or Leased Real Property other than Seller (or otherwise specifically setting forth any such other parties' rights and the source and extent of such parties' rights), and (b) Seller has not caused any work to be performed on any of the Owned Real Property or Leased Real Property within one hundred (100) days of the date of such affidavit(s), or if Seller has caused any such work to be performed within one hundred (100) days of such date(s), that all such work has been completed and fully paid for (with respect to work in progress, to and through a date reasonably proximate to the Closing Date);

(xv) deliver to Buyer and/or the Surviving Corporation such other documentation as Buyer's and/or the Surviving Corporation's title insurance company may reasonably request in order to permit Buyer's title insurance policy to be issued without exceptions as to (a) matters arising by, through or under Seller but not otherwise in the "gap", (b) mechanic's or materialman's liens arising from work performed at the instance of Seller, (c) third parties in possession as a result of the action of Seller (other than specifically enumerated third parties as set forth above that are reasonably acceptable to Buyer pursuant to the terms of this Agreement), and (d) rights or claims of real estate brokers claiming by, through or under Seller;

(xvi) deliver to Buyer and/or the Surviving Corporation a

duly executed certificate stating that Seller is a Georgia resident or that Seller is otherwise exempt from withholding under O.C.G.A. ss. 48-7-128, as applicable;

(xvii) deliver to Buyer and/or the Surviving Corporation a duly executed certificate stating that Seller is not a "foreign person" for United States income tax purposes, in accordance with Section 1445 and Section 897 of the Internal Revenue Code of 1986, as amended;

(xviii) deliver to Buyer and/or the Surviving Corporation such other evidence of the performance of all covenants and the satisfaction of all conditions required of Seller by this Agreement at or prior to the Closing Date as Buyer or its counsel may reasonably require;

(xix) deliver to Buyer and/or the Surviving Corporation all consents, landlord waivers and the like which are required by Buyer's financing source to close financing for the Buyer and the Surviving Corporation contemporaneously with the Closing of the transactions contemplated by this Agreement;

(xx) deliver to Buyer and/or the Surviving Corporation all written consents required to carry out the obligations of this Agreement, including those set forth in Sections 1.09 and 3.05 of this Agreement, together with a good standing certificate of Seller and CCD, as of a date within twenty (20) days prior to the Closing Date, from the State of Delaware and the State of Georgia, respectively; and

(xxi) deliver to Buyer an agreement by Seller to execute or re-execute such documents and take such other actions after the Closing upon Buyer's written request as are reasonably necessary or appropriate to consummate and carry into effect the transactions contemplated by this Agreement, including the assignment of any right to payment on accounts receivable and disputed accounts included in the Acquired Assets.

The documents and certificates to be delivered hereunder by or on behalf of Seller on the Closing Date shall be in form and substance reasonably satisfactory to Buyer and its counsel.

SECTION 5.03 CLOSING MATTERS WITH RESPECT TO BUYER. At Closing, Buyer shall cause the Surviving Corporation to:

(i) file with the Secretary of State of the State of Delaware a Certificate of Merger in the form attached hereto as Exhibit "A" and take all other and further actions as are necessary or appropriate to effectuate the Merger as of the Effective Date;

(ii) deliver to Seller the Merger Consideration and the Purchase Price, as adjusted pursuant to Section 1.08, by transfer of immediately available funds to such account at such bank as Seller shall direct;

(iii) deliver to Seller an Assumption Agreement or other instrument of assumption of the Assumed Liabilities as provided in Section 1.04(b) in a form reasonably satisfactory to Seller;

(iv) deliver to Seller a certificate of Buyer certifying to Seller that each of the obligations and actions required to be performed by Buyer or Merger Subsidiary pursuant to this Agreement have been duly performed and complied with in all material respects, and that the representations and warranties of Buyer contained in this Agreement are true and correct in all material respects as of the Closing Date (except as to any representation or warranty which specifically relates to an earlier date);

(v) deliver to Seller the Non-Competition Agreement duly executed by Buyer;

(vi) deliver to Seller the Shared Services Agreement duly executed by Buyer;

(vii) deliver to Seller the Seller License Agreement duly executed by Buyer;

(viii) deliver to Seller all releases required by this Agreement, including a release from Calvin Klein, Inc., releasing Seller and its Affiliates from any liability to Calvin Klein, Inc. or any of its Affiliates except liability for any Past Due Amounts under the Calvin Klein License and any liability or obligations arising from Seller's confidentiality obligations;

(ix) deliver to Seller an agreement by Buyer to execute or re-execute such documents and take such other actions after the Closing upon Seller's written request as are reasonably necessary or appropriate to consummate and carry into effect the transactions contemplated by this Agreement, including the assignment of any right to payment on accounts receivable and disputed accounts retained by Seller; and

(x) deliver to Seller all written consents required by Section 3.14 hereof.

The documents and certificates to be delivered hereunder by or on behalf of Buyer on the Closing Date shall be in form and substance reasonably satisfactory to Seller and its counsel.

SECTION 5.04 PASSAGE OF TITLE AND LIABILITIES AT CLOSING. Upon delivery of the instruments of Merger, sale, conveyance, assignment, transfer and assumption at the Closing, (i) full title to the Acquired Assets shall pass to and vest in the Surviving Corporation effective as of 12:01 a.m. on the Closing Date; (ii) full title to the Excluded Assets shall pass to and vest in (to the extent not already held and vested in) Seller and its Affiliates, as the case may be; (iii) all liabilities, obligations and responsibilities for the Assumed Liabilities shall pass to and become vested in the Surviving Corporation; and (iv) all liabilities, obligations and responsibilities for the Excluded Liabilities shall pass to and vest in (to the extent not already held and vested in) the Seller and its Affiliates, as the case may be. At the Closing, Seller will put Buyer in full, complete and quiet possession and enjoyment of all of the Acquired Assets and the Specified Assets and from and after the Closing Date the ownership and operation of the Acquired Assets and the Specified Assets and the Business shall be for the account and risk of Buyer. Buyer shall be under no liability for any debt, liability or obligation of Seller incurred on or after the Closing Date or arising out of any transaction by Seller or any event occurring with respect to Seller on or after the Closing Date.

ARTICLE VI. INDEMNIFICATION

SECTION 6.01 AGREEMENT OF SELLER TO INDEMNIFY. Subject to the terms and conditions of this Article VI, and the definitions set forth in Section 6.03 hereof, Seller agrees to indemnify, defend and hold harmless Buyer and the Surviving Corporation, their officers, directors, shareholders, other Affiliates, employees and agents (collectively, the "Buyer Indemnitees") from, against, for, and in respect of any and all Losses asserted against, relating to, imposed upon, or incurred by the Buyer Indemnitees by reason of, resulting from, based upon, or arising out of:

(a) the breach of any representation or warranty of Seller contained in or made pursuant to this Agreement or any Related Agreement or in any certificate, Schedule or Exhibit furnished by Seller in connection herewith;

(b) the breach of any covenant or agreement of Seller

contained in or made pursuant to this Agreement or any Related Agreement;

(c) any Excluded Liabilities; and

(d) any Environmental Losses resulting from events or conditions existing prior to the Closing Date arising from, based upon or related to Seller's failure to comply with Environmental Laws in existence as of the day next preceding the Closing Date; provided that Seller shall be entitled to control any cleanup related thereto, including any removal, containment or other remediation or response action (the "Work"). (By way of example only, Buyer shall not have any right to indemnification hereunder in the event that environmental regulations are first enacted after the Closing Date which render a practice performed by Seller on the Closing Date (which practice was in full compliance with all Environmental Laws then in existence) illegal, resulting in a clean-up obligation being imposed on Buyer with respect to Seller's pre-Closing activities).

All Work and related activities undertaken by Seller and its contractors and consultants upon the Real Property shall be accomplished in an expeditious, safe and diligent manner in

accordance with all applicable federal, state and local laws, ordinances, rules, and regulations, and in a manner that will not unreasonably interfere with the use of the Acquired Assets by Buyer and the Surviving Corporation. Seller shall take and shall cause its contractors and consultants to take all reasonable measures to minimize any disruption or inconvenience caused by the Work and related activities to Buyer and the Surviving Corporation. Work and related activities shall not interfere with Buyer's access to or egress from the Real Property. Seller shall, at Seller's sole cost and expense, repair damage caused by the Work and related activities and restore the affected portion of the Real Property upon which any Work and related activities are performed to a condition equivalent to the condition existing prior to the commencement of the Work. Seller is solely responsible for the identification and avoidance of any and all utilities or structures on the Real Property, and any damages related thereto that may be caused by the Seller or its contractors or consultants. Seller shall remove and shall cause its contractors and consultants to remove from the Real Property all equipment, debris, contaminated soil, and all other materials related to the Work in an environmentally appropriate and legal manner and to Buyer's reasonable satisfaction. Seller is solely responsible for containerizing, storing, handling and disposing of all substances and wastes generated from the performance of the Work, in accordance with all applicable federal, state and local laws, ordinances, rules, and regulations; provided, however, that in no event shall any storage, temporary or otherwise, of such substances and wastes be allowed by Seller to occur on the Real Property for more than thirty (30) days. Seller agrees that it is the generator, under applicable federal, state and local laws, ordinances, rules, and regulations, of all substances and wastes generated from the performance of the Work.

SECTION 6.02 AGREEMENT OF BUYER TO INDEMNIFY. Subject to the terms and conditions of this Article VI, Buyer and the Surviving Corporation, jointly and severally, agree to indemnify, defend and hold harmless Seller and its officers, directors, shareholders, other Affiliates, employees and agents (collectively, the "Seller Indemnitees") from, against, for, and in respect of any and all Losses asserted against, relating to, imposed upon, or incurred by the Seller Indemnities arising out of:

(a) the breach of any representation or warranty of Buyer contained in or made pursuant to this Agreement or any Related Agreement or in any certificate, Schedule, or Exhibit furnished by Buyer in connection herewith or therewith;

(b) the breach of any covenant or agreement of Buyer contained in or made pursuant to this Agreement or any Related Agreement; and

(c) (i) any Assumed Liability, (ii) the notification or other requirements of the Workers Adjustment and Retraining Notification Act of 1988, as amended (but only with respect to requirements arising or resulting from a failure by Buyer or the Surviving Corporation to offer to hire a number of employees at any facility included in the Acquired Assets equal to the difference between the number of employees at such facility less the Threshold

Number with respect to such facility), and (iii) the ownership of the Acquired Assets or the operation of the Business by Buyer or the Surviving Corporation on or after the Closing Date, except for any Losses against which Buyer is entitled to indemnification pursuant to Section 6.01 (without regard to any of the limitations contained in Section 6.07).

SECTION 6.03 DEFINITIONS AND PROCEDURES FOR INDEMNIFICATION.

(a) For purposes of this Article VI, the meanings of the following terms are set forth below:

(i) "ENVIRONMENTAL LOSSES" shall mean any Losses related to, arising out of or in connection with compliance with or a failure to comply with Environmental Laws as in existence as of the Closing Date. Without limiting the generality of the foregoing, Environmental Losses shall include fines, penalties, judgments, awards, settlements, losses, damages (whether actual, punitive or consequential), interest, costs, fees, expenses, disbursements and general financial responsibility for (x) cleanup costs, including any removal, remedial or other response actions and natural resource damages, and (y) any other compliance or other remedial measures, including any capital expenditures incurred in connection therewith, and any costs and expenses (including attorney's fees) incurred and relating solely to the investigation and defense of claims for which Buyer may be liable hereunder; and

(ii) "LOSSES" shall mean any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs, diminution of value, removal and remediation requirements and expenses, including interest, penalties and reasonable attorneys' and other professional fees and expenses.

(iii) "INDEMNITOR" means the party against whom indemnification hereunder is sought.

(iv) "INDEMNITEE" means the party seeking indemnification hereunder.

(b) A claim for indemnification hereunder (an "Indemnification Claim") shall be made by the Indemnitee by delivery of a written declaration to the Indemnitor requesting indemnification and specifying the basis on which indemnification is sought and the amount of asserted Losses and Environmental Losses and, in the case of a Third Party Claim (as hereinafter defined), containing (by attachment or otherwise) such other information as the Indemnitee shall have concerning such Third Party Claim.

(c) If the Indemnification Claim involves a Third Party Claim, the procedures set forth in Section 6.04 hereof shall be observed by the Indemnitee and the Indemnitor.

(d) If the Indemnification Claim involves a matter other than a Third Party Claim, the Indemnitor shall have thirty (30) Business Days to object to such Indemnification Claim by delivery of a written notice of such objection to the Indemnitee specifying in reasonable detail the basis for such objection. Failure to timely so object shall constitute a final and binding acceptance of the Indemnification Claim by the Indemnitor and the Indemnification Claim shall be paid in accordance with Section 6.03(d) hereof. If an objection is timely made to an Indemnification Claim by the Indemnitor, then the Indemnitee and the Indemnitor shall negotiate in good faith for a period of sixty (60) Business Days from the date the Indemnitee receives such objection before commencing arbitration pursuant to Section 7.14 with respect to such Indemnification Claim.

(e) Upon the final, non-appealable determination of the amount of an Indemnification Claim that is binding on both the Indemnitor and the Indemnitee, the Indemnitor shall pay the amount of such Indemnification Claim by check within ten (10) Business Days of the date such amount is determined.

SECTION 6.04 DEFENSE OF THIRD PARTY CLAIMS. Should any claim be made, or suit or proceeding (including any binding arbitration or an audit by any taxing authority) be instituted against the Indemnitee which, if prosecuted successfully, would be a matter for which the Indemnitee would be entitled to indemnification under this Agreement (a "Third Party Claim"), the obligations and liabilities of the parties hereunder with respect to such Third Party Claim shall be subject to the following terms and conditions:

(a) The Indemnitor shall have thirty (30) days (or such lesser time as may be necessary to comply with statutory response requirements for litigation claims, provided the notice from the Indemnitee specifies the last day for response within such lesser time, and the statutory provision requiring such shortened response period) from receipt of the Indemnification Claim (the "Notice Period") to notify the Indemnitee, (i) whether or not the Indemnitor disputes its liability to the Indemnitee with respect to such claim, and (ii) notwithstanding any such dispute, whether or not the Indemnitor desires, at its sole cost and expense, to defend the Indemnitee against such claim.

(b) In the event that the Indemnitor notifies the Indemnitee within the Notice Period that it desires to defend the Indemnitee against such claim then, except as hereinafter provided, the Indemnitor shall have the right to defend the Indemnitee by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by the Indemnitor to a final conclusion in such a manner as to minimize the risk of the Indemnitee becoming subject to liability for any other significant matter. If the Indemnitee desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense. If any such claim or the litigation or resolution of any such claim involves (i) the administration of the tax returns and responsibilities of the Indemnitee under the tax laws or (ii) a dispute with a then-current significant (being one of the fifteen (15) largest, as measured by revenue volume of business with the Business during the preceding twelve (12) months) customer or supplier of the Business, then the Indemnitee shall have the right to control the defense or settlement of any such claim or demand and its reasonable costs and expenses shall be included as part of the indemnification obligation of the Indemnitor. If the Indemnitee should elect to exercise such right, the Indemnitor shall have the right to participate in, but not control, the defense or settlement of such claim at its sole cost and expense.

(c) Except where the Indemnitor (A) timely elects to defend the Indemnitee against such claim or demand under this Section 6.04, or (B) Indemnitor disputes its liability in a timely manner under this Section 6.04, the Indemnitor shall be conclusively liable for the amount of any Loss or Environmental Loss resulting from such claim whether or not the claim is defended.

(d) The Indemnitee and the Indemnitor shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such claim and furnishing, without expense to the Indemnitor,

management employees of the Indemnitee as may be reasonably necessary for the preparation of the defense of any such claim or for testimony as witness in any proceeding relating to such claim.

SECTION 6.05 SETTLEMENT OF THIRD PARTY CLAIMS. No settlement of a Third Party Claim involving the asserted liability of the Indemnitee under this Article VI shall be made without the prior written consent by or on behalf of the Indemnitee, which consent shall not be unreasonably withheld or delayed. Consent shall be presumed in the case of settlements of $25,000 or less where the Indemnitee has not responded within ten (10) Business Days of written notice of a proposed settlement.

SECTION 6.06 DURATION. The indemnification rights of the parties hereto for Losses resulting from a breach of representations and warranties, or for breaches of covenants, contained in this Agreement or any related agreement (other than for Environmental Losses, Losses arising from tax and employee benefit matters and Losses arising from the breach of any agreement or undertaking with respect to the payment of Excluded Liabilities and Assumed Liabilities) is subject to the condition that the Indemnitor shall have received

written notice of the Losses for which indemnity is sought within two (2) years after the Closing Date. The indemnification rights of the parties hereto for Environmental Losses or Losses resulting from a breach of representations and warranties or of covenants that are related to tax or employee benefit matters shall be subject to the condition that the Indemnitor shall have received written notice of the Losses for which indemnity is sought within three (3) years after the Closing Date. The indemnification rights of the parties hereto for Losses resulting from a breach of any representation and warranty with respect to title to any of the Acquired Assets or with respect to the breach of any agreement or undertaking with respect to payment of the Excluded Liabilities and the Assumed Liabilities is subject to the condition that notice of the Losses for which indemnity is sought shall be received by the Indemnitor within two (2) years after the Closing Date.

SECTION 6.07 LIMITATIONS.

(a) The Indemnitor shall be obligated to indemnify the Indemnitee only when the sum of the aggregate of all Losses and Environmental Losses suffered or incurred by the Indemnitee as to which a right of indemnification is provided under this Article VI exceeds One Hundred Fifty Thousand Dollars ($150,000) ("Minimum Claim Amount") and then only to the extent such aggregate sum exceeds Seventy Five Thousand Dollars ($75,000) (the "Deductible"); provided, however, that, notwithstanding the foregoing, the Proration Items and Losses suffered or incurred by the Indemnitee which are subject to indemnification under Sections 6.01(c) (Excluded Liabilities) or 6.02(c)(i) (Assumed Liabilities) shall not be subject to the Minimum Claim Amount or the Deductible. In no event shall the aggregate liability of Seller, or the aggregate liability of Buyer, under this Article VI exceed One Million Five Hundred Thousand Dollars ($1,500,000), except that Losses suffered or incurred by the Indemnitee which are subject to indemnification under Sections 6.01(c) (Excluded Liabilities) or 6.02(c)(i) (Assumed Liabilities) shall not be subject to any limitation.

(b) The Indemnitor shall not be liable for Losses in excess of the actual Losses suffered by the Indemnitee as a result of the act, circumstance, or condition for which

indemnification is sought net of any insurance proceeds received by the Indemnitee or any tax benefits realized by the Indemnitee as a result of the Losses for which indemnification is claimed.

(c) No Indemnitor shall be liable under this Article VI for any Loss resulting from or related to any statement made in any representation, warranty, covenant or agreement of the Indemnitor set forth herein if the Indemnitee had Knowledge on or before the Closing Date of facts contrary to such statement of the Indemnitor and the Indemnitee failed to disclose such Knowledge to the Indemnitor in writing.

SECTION 6.08 SOLE AND EXCLUSIVE REMEDY. Subject to any proration made pursuant to Section 1.08 hereof, the indemnification obligations of Seller and Buyer under this Article VI shall constitute the sole and exclusive remedies of Seller and Buyer, respectively, with respect to the matters described in Sections 6.01 and 6.02, respectively.

ARTICLE VII. MISCELLANEOUS

SECTION 7.01 EXPENSES. Except as provided in Section 1.07, Seller, on the one hand, and Buyer, on the other hand, shall bear their respective expenses, costs and fees (including attorneys' fees) in connection with the transactions contemplated hereby, including the preparation, execution and delivery of this Agreement and compliance herewith, whether or not the transactions contemplated hereby shall be consummated.

SECTION 7.02 DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

SECTION 7.03 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if (a) delivered by hand, (b) mailed by registered or certified mail (return receipt requested) (c)

by deposit with a nationally recognized courier, such as Federal Express, for next Business Day delivery, or (d) telecommunicated and immediately confirmed both orally and in writing, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and shall be deemed given on the date on which so hand-delivered or so telecommunicated or the next Business Day following deposit with such courier or on the third Business Day following the date on which so mailed, if deposited in a regularly-maintained receptacle for United States mail:

If to Buyer or Merger Subsidiary:

Design Works Holding Company
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attention: Michael Bernstein, President
Telecopier: (770) 644-6264
Telephone: (770) 644-6302

With a copy to (which shall not constitute notice to Buyer or Merger Subsidiary):

Sims, Moss, Kline & Davis LLP
400 Northpark Town Center
Suite 210
1000 Abernathy Road, N.E.
Atlanta, Georgia 30328
Attn: Jerry L. Sims, Esq.
Telecopier: 770-481-7210
Telephone: 770-481-7200

If to Seller:

Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attn: Randall Chestnut, President
Telecopier: 770-644-6337
Telephone: 770-644-6263

With a copy to (which shall not constitute notice to Seller):

Rogers & Hardin LLP
2700 International Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attn: Steven E. Fox, Esq.
Telecopier: 404-525-2224
Telephone: 404-522-4700

SECTION 7.04 COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 7.05 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia without regard to principles of conflicts of laws.

SECTION 7.06 ASSIGNABILITY. This Agreement shall not be assignable otherwise than by operation of law by any party without the prior written consent of the other parties hereto, and any purported assignment by any party without the prior written consent of the other parties shall be void; provided that Buyer may assign this Agreement to a wholly-owned subsidiary corporation; and provided further that in such event, Buyer shall unconditionally guarantee the performance of all obligations of such subsidiary under this Agreement.

SECTION 7.07 WAIVERS AND AMENDMENTS. Any term or provision of this Agreement may be waived at any time by the party that is entitled to the benefits thereof, and any term or provision of this Agreement may be amended or supplemented at any time by the mutual consent of the parties hereto, except that any waiver of any term or condition, or any amendment or supplementation, of this Agreement must be in writing. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

SECTION 7.08 THIRD PARTY RIGHTS. Notwithstanding any other provision of this Agreement, this Agreement shall not create benefits on behalf of any employee of Seller, third party or other Person, and this Agreement shall be effective only as between the parties hereto, their successors and permitted assigns.

SECTION 7.09 ENTIRE AGREEMENT. This Agreement (including the Exhibits, Schedules, documents and instruments referred to herein) constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them with respect to the subject matter hereof.

SECTION 7.10 TIME OF ESSENCE. Wherever time is specified for the doing or performance of any act or the payment of any funds, time shall be considered of the essence.

SECTION 7.11 SEVERABILITY. In the event that any one or more of the provisions contained in this Agreement shall be declared invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect.

SECTION 7.12 EXHIBITS AND SCHEDULES. All Exhibits and Schedules attached hereto are incorporated herein and made a part hereof in the same manner as if such exhibits and schedules were set forth at length.

SECTION 7.13 CONSTRUCTION. Except where the context of this Agreement clearly requires another interpretation, plural words have been used to include the singular and vice versa and masculine, feminine and neuter words have been used interchangeably. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." The conjunction "and/or" means one or the other or both or any one or more or all, of the things or Persons in connection with which the conjunction is used.

SECTION 7.14 ARBITRATION.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or any contract or agreement entered into pursuant hereto or the performance by the parties of its or their terms shall be settled by binding arbitration held in Atlanta, Georgia in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, except as specifically otherwise provided in this Section 7.14. The interpretation and enforceability of this Section 7.14 shall be governed exclusively by the Federal Arbitration Act, 9 U.S.C. ss. 1-16.

(b) If the matter in controversy (exclusive of attorney's fees and expenses) shall appear, as at the time of the demand for arbitration, to exceed $250,000 then the panel to be appointed shall consist of three neutral arbitrators; otherwise, said panel shall consist of one neutral arbitrator.

(c) The arbitrator(s) shall allow such discovery as the arbitrator(s) determine appropriate under the circumstances and shall resolve the dispute as expeditiously as practicable, and if reasonably practicable, within one hundred twenty (120) days after the selection of the arbitrator(s). The arbitrator(s) shall give the parties written notice of the decision, with the reasons therefor set out, and shall have thirty (30) days thereafter to reconsider and modify such decision if any party so requests within ten (10) days after the decision. Thereafter, the decision of the arbitrator(s) shall be final, binding, and nonappealable with respect to all Persons, including Persons

who have failed or refused to participate in the arbitration process.

(d) The arbitrator(s) shall have authority to award relief under legal or equitable principles, including interim or preliminary relief.

(e) The successful or prevailing party in any proceeding under this Section 7.14 shall be entitled to recover reasonable attorneys' fees, costs of the arbitration and all expenses incurred in such proceeding, plus interest thereon at the Applicable Federal Rate (as defined in Section 1274(d) of the Code).

(f) Judgment upon the award rendered by the arbitrator(s) may be entered in any court having in personam and subject matter jurisdiction.

(g) All proceedings under this Section 7.14, and all evidence given or discovered pursuant hereto, shall be maintained in confidence by all parties.

(h) The fact that the dispute resolution procedures specified in this Section 7.14 shall have been or may be invoked shall not excuse any party from performing its obligations under this Agreement and during the pendency of any such procedure all parties shall continue to perform their respective obligations in good faith, subject to any right to terminate this Agreement that may be available to any party.

(i) All applicable statutes of limitation shall be tolled while the procedures specified in this Section 7.14 are pending. The parties will take such action, if any, required to effectuate such tolling.

[Signatures on next page]

IN WITNESS WHEREOF, Seller, CCD, Merger Subsidiary and Buyer have each caused this Agreement to be executed, sealed and delivered as of the date first written above.

BUYER:

DESIGN WORKS HOLDING COMPANY

By: /s/ Rudolph J. Schmatz

Its: President

(Corporate Seal)

MERGER SUBSIDIARY:

DESIGN WORKS, INC.

By: /s/ Rudolph J. Schmatz

Its: President

(Corporate Seal)

SELLER:

CROWN CRAFTS, INC.

By: /s/ E. Randall Chestnut

Its: Executive Vice President

(Corporate Seal)

CCD:

CROWN CRAFTS DESIGNER, INC.

By: /s/ Rudolph J. Schmatz

Its: President

(Corporate Seal)

EXHIBIT A

CERTIFICATE OF MERGER

OF

DESIGN WORKS, INC.,
A DELAWARE CORPORATION,

WITH AND INTO

CROWN CRAFTS DESIGNER, INC.,
A DELAWARE CORPORATION

Crown Crafts Designer, Inc., a Delaware corporation, and Design Works, Inc., a Delaware corporation, DO HEREBY CERTIFY as follows:

1. The constituent corporations in the merger are Crown Crafts Designer, Inc., a Delaware corporation, and Design Works, Inc., a Delaware corporation.

2. A Merger Agreement by and among the constituent corporations and other parties dated as of July 23, 2001 (the "Merger Agreement"), has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the provisions of Section 251 of the General Corporation Law of Delaware.

3. The name of the surviving corporation is Crown Crafts Designer, Inc.

4. The certificate of incorporation of Crown Crafts Designer, Inc., as the surviving corporation, shall be amended in its entirety to read as set forth in Exhibit A attached hereto and incorporated herein by this reference.

5. The surviving corporation is a corporation of the State of Delaware.

6. The executed Merger Agreement is on file at the principal place of business of the surviving corporation at 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328.

7. A copy of the Merger Agreement will be furnished by the surviving corporation, on request and without cost, to any stockholder of any constituent corporation.

8. This Certificate of Merger, and the merger provided for herein, shall become effective upon the filing hereof with the Secretary of State of the State of Delaware.

[Signatures Next Page]

IN WITNESS WHEREOF, the undersigned have caused this Certificate of Merger to be executed as of the ___ day of July, 2001.

CROWN CRAFTS DESIGNER, INC.
a Delaware corporation

By:

Its:

DESIGN WORKS, INC.,
a Delaware corporation

By:

Its:

EXHIBIT A

CERTIFICATE OF INCORPORATION

OF

DESIGN WORKS, INC.

ARTICLE I
NAME

The name of the corporation is Design Works, Inc.

ARTICLE II
REGISTERED OFFICE AND AGENT

The address of this Corporation's registered office in the State of Delaware is 15 East North Street, P. O. Box 899, Dover, Delaware 19903-0899, County of Kent; and the name of the registered agent of the corporation in the State of Delaware at such address is Incorporating Services, Ltd.

ARTICLE III
PURPOSES AND POWERS

The purpose of this Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware. The Corporation shall have all power necessary or convenient to the conduct, promotion, or attainment of such acts or activities.

ARTICLE IV
CAPITAL STOCK

The total number of shares of capital stock that this Corporation shall be authorized to issue is 1,000,000 shares, divided into two classes as follows: (i) 900,000 shares of common stock, par value $0.0001 per share (the "Common Stock"); and (ii) 100,000 shares of serial preferred stock, to be designated in series and having a par value of $0.0001 per share (the "Preferred Stock").

Common Stock. The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth herein and in the certificates of designations filed to establish the respective series of Preferred Stock. Each share of Common Stock shall have the same relative rights as, and be identical in all respects to, all the other

shares

of Common Stock.

Whenever there shall have been paid, or declared and set aside for payment, to the holders of shares of any class of stock having preference over the Common Stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement payments, if any, to which such holders are respectively entitled in preference to the Common Stock, then dividends may be paid on the Common Stock and on any class or series of stock entitled to participate therewith as to dividends, out of any assets legally available for the payment of dividends thereon, but only when and as declared by the Board of Directors of the Corporation.

In the event of any dissolution, liquidation, or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock, and holders of any class or series of stock entitled to participate therewith, in whole or in part, as to the distribution of assets in such event, shall become entitled to participate in the distribution of any assets of the Corporation remaining after the Corporation shall have paid, or provided for payment of, all debts and liabilities of the Corporation and after the Corporation shall have paid, or set aside for payment, to the holders of any class of stock having preference over the Common Stock in the event of dissolution, liquidation or winding up the full preferential amounts (if any) to which they are entitled.

Each holder of shares of Common Stock shall be entitled to attend all special and annual meetings of the stockholders of the Corporation and, share for share and without regard to class, together with the holders of all other classes of stock entitled to attend such meetings and to vote (except any class or series of stock having special voting rights), to cast one vote for each outstanding share of Common Stock so held upon any matter or thing (including, without limitation, the election of one or more directors) properly considered and acted upon by the stockholders.

Preferred Stock. The Board of Directors is authorized, subject to limitations prescribed by the General Corporation Law of Delaware and the provisions of this Certificate of Incorporation, to provide, without stockholder approval, by resolution or resolutions from time to time and by filing a certificate pursuant to the applicable provision of the General Corporation Law of Delaware, for the issuance of the shares of Preferred Stock in series, to establish from time to time the number of shares to be included in each such series, and to fix the powers, designations, preferences and relative, participating optional or other rights of the shares of each such series and the qualifications, limitations and restrictions thereof.

ARTICLE V
BOARD OF DIRECTORS

The Board of Directors shall fix the number of directors of the Corporation from time to time in the manner provided in the bylaws of the Corporation. Unless and except to the extent that the Bylaws of the Corporation shall otherwise require, the election of directors of the Corporation need not be by written ballot. Each director shall serve until the next annual meeting of stockholders following the time of his appointment or election to the Board of Directors and until his or her successor shall be elected and qualified, or until his or her earlier

death, resignation, removal or incapacity.

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that his paragraph shall not eliminate or limit the liability of a director: (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of

law; (c) under Section 174 of the General Corporation Law of Delaware; or (d) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this paragraph shall be prospective only and shall not adversely affect any right or protection of, or any limitation of the liability of, a director of this Corporation existing at, or arising out of facts or incidents occurring prior to, the effective date of such repeal or modification.

ARTICLE VI
INDEMNIFICATION

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether by or in the right of the Corporation or otherwise (a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, partner (limited or general) or agent of another corporation or of a partnership, joint venture, limited liability company, trust or other enterprise, including service with respect to an employee benefit plan, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor to the Corporation by merger or otherwise) to the fullest extent authorized by, and subject to the conditions and (except as provided in the Corporation's bylaws) procedures set forth in the General Corporation Law of Delaware, as the same exists or may hereinafter ben amended (but such amendment shall not be deemed to limit or prohibit the rights of indemnification hereunder for past acts or omissions of any such person insofar as such amendment limits or prohibits the indemnification rights that said law permitted the Corporation to provide prior to such amendment) against all expenses, liabilities and losses (including attorney's fees, judgments, fines, ERISA taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith.

ARTICLE VII
COMPROMISE OR ARRANGEMENTS

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders

or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all of the creditors or class or creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE VIII
AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right, at any time and from time to time, to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation. Notwithstanding the foregoing, Articles V and VI and this Article XIII may not be altered, amended, or repealed except by the affirmative

vote of at least two-thirds of the shares entitled to vote thereon and the affirmative vote of a majority of the members of the entire Board of Directors. All rights, preferences, and privileges of any nature conferred upon stockholders, directors or any other person whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this Article VIII.

ARTICLE IX
AMENDMENT OF BYLAWS

In furtherance and not in limitation of the powers conferred by the General Corporation Law of Delaware, the Board of Directors of the Corporation is expressly authorized and empowered to adopt, amend, and repeal the bylaws of the Corporation.

EXHIBIT B

TRADEMARK LICENSE AGREEMENT

THIS TRADEMARK LICENSE AGREEMENT (the "Agreement") is made and entered into and is effective as of the 23rd day of July, 2001, by and among DESIGN WORKS HOLDING COMPANY, a Delaware corporation ("Design Works"), DESIGN WORKS, INC., a Delaware corporation ("Licensee"), and CROWN CRAFTS, INC., a Georgia corporation ("Crown Crafts").

WHEREAS, Design Works, Licensee and Crown Crafts are among the parties to that certain Merger Agreement dated as of July 23, 2001 (the "Merger Agreement"), pursuant to which Design Works and Licensee will acquire certain assets of Crown Crafts;

WHEREAS, the parties desire that Licensee be permitted to utilize certain brands, logos and other rights of Crown Crafts, upon and subject to the terms and conditions hereinafter set forth, following the consummation of the transactions contemplated in the Merger Agreement; and

WHEREAS, capitalized terms used but not otherwise defined herein shall have the respective meanings given to such terms in the Merger Agreement;

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereby agree as follows:

SECTION 1.0 GRANT OF LICENSE. Crown Crafts hereby grants to Licensee and its direct and indirect subsidiaries, whether acting as principal or agent (i) a limited, nonexclusive and nontransferable license to use the Crown Crafts' adult bedding brand and logo for a period of three (3) years from the Effective Time with respect to products manufactured and/or licensed by Kitan Consolidated Industries, Limited ("Kitan") and sole to Costco Wholesale Corporation and otherwise for a period of two (2) years from the Effective Time; provided, however, that Design Works and Licensee shall each use their reasonable best efforts to change said brand and logo as soon as reasonably practicable after the Effective Time, and (ii) a limited, nonexclusive and nontransferable license to use Crown Crafts' RN numbers related to the Business until the earlier of two (2) years from the Effective Time or when all labels and inserts included in the Acquired Assets are depleted, whichever first occurs (collectively, the "Proprietary Rights"). Notwithstanding the foregoing, in the event of (i) a sale of majority ownership or control of Crown Crafts to any Person (other than Crown Crafts' lender banks) who, prior to such sale, was not an Affiliate of Seller, (ii) a merger, consolidation or reorganization of Crown Crafts as a result of which the shareholders of Crown Crafts immediately before any such merger, consolidation or reorganization own less than a majority of the combined voting power of the entity resulting from any such merger, consolidation or reorganization, or (iii) a sale, exchange or other disposition of a majority of Crown Crafts' assets to any Person who, prior to such sale, exchange or other disposition was not an Affiliate of Crown Crafts; then, in each case, Licensee

shall cease using Crown Crafts' adult bedding brand and logo on any goods shipped more than one hundred eighty (180) days after the consummation thereof.

SECTION 2.0 LIMITATIONS. This Agreement includes no right or license from Crown Crafts to Licensee in the Proprietary Rights except for the limited purposes referred to in Section 1.0. Licensee has no right to assign, transfer, or sublicense any of its rights acquired under this Agreement except that Licensee may grant a limited sublicense to Kitan, but only to the extent necessary to facilitate the sale by Licensee, whether acting as principal or agent, of products manufactured or licensed by Kitan. Licensee may not use the Proprietary Rights in any manner except for the limited purposes referred to in Section 1.0. All goodwill in the Proprietary Rights that arises out of Licensee's use of such Proprietary Rights shall inure to the benefit of Crown Crafts.

SECTION 3.0 CROWN CRAFTS WARRANTY AND INDEMNITY. Crown Crafts warrants that it is the owner of the Proprietary Rights and has full power to make this Agreement and to grant the licenses as provided herein. Crown Crafts agrees to indemnify, defend and hold harmless Licensee, its affiliates and their respective directors, employees, shareholders, agents, successors and assigns from and against any and all actions, causes of action, claims, liabilities, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees) brought by any third party for actual or alleged infringement of any trademark, copyright or other intellectual property right based upon Licensee's authorized use of the Proprietary Rights as provided herein.

SECTION 4.0 TERMINATION. Crown Crafts may terminate this Agreement upon written notice to Licensee for any material breach of this Agreement by Licensee, unless within a period of thirty (30) days after such notice, Licensee remedies the breach. Immediately upon expiration or termination of this Agreement, all rights of Licensee under this Agreement will automatically cease.

SECTION 5.0 MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia without regard to principles of conflicts of laws.

(b) Nothing in this Agreement shall be construed to establish Licensee or Crown Crafts as a partner, joint venturer, agent or other representative of the other. Each is an independent company retaining complete control over and complete responsibility for its own operations and employees. Nothing in this Agreement shall be construed to grant either party any right or authority to assume or create any obligation on behalf or in the name of the other; to accept summons or legal process for the other; or to bind the other in any manner whatsoever.

(c) Any notice or other communication required or permitted hereunder shall be in writing and shall be given pursuant to the notice provisions of the Merger Agreement.

(d) In the event that any one or more of the provisions contained in this Agreement shall be declared invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect.

(e) Any term or provision of this Agreement may be waived at any time by the party that is entitled to the benefits thereof, and any term or provision of this Agreement may be amended or supplemented at any time by the mutual consent of the parties hereto, except that any waiver of any term or condition, or any amendment or supplementation, of this Agreement must be in writing. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

(f) This Agreement constitutes the entire agreement concerning the subject matter hereof, and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them with respect to the subject matter hereof.

[Signatures Next Page]

IN WITNESS WHEREOF, the parties have caused this Trademark License Agreement to be executed by their duly authorized officers as of the date set forth above.

CROWN CRAFTS, INC.

By:

Name:

Its:

DESIGN WORKS HOLDING COMPANY

By:

Name:

Its:

DESIGN WORKS, INC.

By:

Name:

Its:

EXHIBIT C

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Sublease") is made and entered into effective as of the 23rd day of July, 2001, by and between CROWN CRAFTS, INC., a Georgia corporation, herein referred to as "CCI," and CROWN CRAFTS DESIGNER, INC., a Delaware corporation, hereinafter referred to as "CCDI."

WITNESSETH:

WHEREAS, The Northwestern Mutual Life Insurance Company entered into that certain Master Lease with International Business Machines Corporation ("Sublandlord"), dated May 1, 1991, with respect to the buildings at 1500 and 1600 RiverEdge Parkway, Atlanta, Georgia, which Master Lease has been amended and supplemented by that certain Supplemental Agreement dated June 17, 1991, that certain First Amendment to Master Lease and Supplemental Agreement dated

November 1, 1991, that certain First Amendment to Master Lease and Supplemental Agreement dated November 1, 1991, that certain Second Supplemental Agreement dated October 26, 1992, that certain Second Amendment to Master Lease dated May 10, 1993, that certain Third Supplemental Agreement dated May 10, 1993, and that certain Third Amendment to Master Lease dated November 18, 1993 (as amended and supplemented, the "Master Lease"), a true and correct copy of which Master Lease is attached hereto as Exhibit A and is incorporated herein by this reference;

WHEREAS, Trinet Essential Facilities XXIII, Inc. ("Master Lessor") acquired and holds the entire right, title and interest of The Northwestern Mutual Life Insurance Company in and to the Master Lease;

WHEREAS, Sublandlord and CCI entered into that certain Sublease dated December 17, 1993 (the "Master Sublease") for the second floor and a portion of the first floor of the 1600 RiverEdge Parkway, Atlanta, Georgia (the "Master Sublease Premises"), which Master Sublease has been amended by that certain First Sublease Amendment dated October 31, 1994 and that certain Second Sublease Amendment dated December 9, 1994;

WHEREAS, CCI and WorldCrest Group, Inc. entered into that certain Sublease dated May 18, 2000 for the first floor portion of the Master Sublease Premises;

WHEREAS, on May 22, 2000 Sublandlord assigned its rights under the Master Sublease to the Prime Landlord;

WHEREAS, CCI now desires to sublease the second floor of the Master Sublease Premises identified on Exhibit B attached hereto and incorporated herein by this reference less and except as many offices as necessary in the discretion of CCI for the current employees of CCI who will remain with CCI after the sale of CCI's Adult Bedding Division, such offices to be located as they are on the date hereof or as mutually agreed (the "Sub-Subleased Property") together with a right to use conference rooms, break rooms, restrooms and other common areas

and facilities (the "Common Areas") to CCDI, and CCDI desires to accept such sublease, subject to and upon the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing, the sum of Ten and No/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. SUBLEASE

CCI hereby leases to CCDI, and CCDI hereby rents and leases from CCI, the Sub-Subleased Property and CCI and CCDI agree to cooperatively share the Common Areas and to use their reasonable best efforts to coordinate the use thereof.

2. TERM

This Sublease shall commence on the date hereof (the "Commencement Date") and shall expire at 12:00 a.m. midnight on the 29th day of June, 2002; provided, however, that this Sublease may be sooner terminated as provided in the Master Sublease; and provided further, however, that CCI and CCDI may terminate this Sublease without the consent of Master Lessor provided notice of such termination is delivered to Master Lessor. Notwithstanding anything herein to the contrary, CCI shall not voluntarily terminate the Master Sublease prior to the expiration thereof in accordance with the terms thereof, without first obtaining the written consent of CCDI, which consent shall not be unreasonably withheld.

3. RENT

As consideration for the sublease hereunder, CCDI shall pay to CCI as rent, without notice, demand, deduction or setoff, the sum of $11,011.32 per month, in advance, on or before the third (3rd) business day prior to the first (1st) day of each and every successive calendar month during the term hereof,

except for the first month's (or partial month's) rent which shall be payable on the Commencement Date. Rent shall be paid by CCDI to CCI at CCI's offices at 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328, or such other place as CCI shall direct. Rent for any partial calendar month during the term hereof shall be prorated on a per diem basis.

4. SUBJECT TO MASTER LEASE AND MASTER SUBLEASE.

CCI and CCDI hereby acknowledge and agree that this Sublease is and shall during the term hereof be in all respects subject and subordinate to the Master Lease and the Master Sublease and Master Lessor's rights and remedies thereunder, and, in connection with the exercise by Master Lessor of any of such rights or remedies, Master Lessor shall have no obligation to give any notice or take any action other than the notices and actions, if any, required by the terms of the Master Lease or the Master Sublease. CCI and CCDI hereby further acknowledge and agree that if the Master Lease or the Master Sublease shall terminate for whatever reason, this Sublease shall terminate automatically by operation of law without any separate action on the part of the Master Lessor.

5. TERMS AND CONDITIONS.

This Sublease and CCDI's use and occupancy of the Sub-Subleased Property pursuant hereto shall be subject to and upon all the terms and conditions set forth in the Master Sublease, and by acceptance hereof CCDI hereby agrees to be bound by each and every obligation of the "Sublessee" thereunder.

6. MASTER LESSOR OPERATING COSTS.

From and after January 1, 2002, any and all increases in operating costs of Master Lessor for calendar year 2002 over calendar year 2001 which shall, pursuant to the Master Lease or the Master Sublease, be passed through by Master Lessor to CCI shall be borne one-half by CCI and one-half by CCDI. Additionally, from and after the date hereof, any and all special request charges which Master Lessor shall, pursuant to the Master Lease or the Master Sublease, impose upon CCI shall be borne one-half by CCI and one-half by CCDI until the earlier to occur of (i) December 31, 2001 or (ii) CCI's vacating the Sub-Subleased Property, after which time all of such charges shall be borne entirely by CCDI.

7. CONSENTS.

The validity of this Sublease shall be subject to the prior written consent hereto of the Master Lessor.

8. COUNTERPARTS.

This Sublease may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[Signatures Next Page]

IN WITNESS WHEREOF, CCDI and CCI have signed, sealed and delivered this Sublease effective as of the date set forth above.

CROWN CRAFTS, INC.,
a Georgia corporation

By:

Name:

Its:

[CORPORATE SEAL]

CROWN CRAFTS DESIGNER, INC.,
a Delaware corporation

By:

Name:

Its:

[CORPORATE SEAL]

CONSENT OF MASTER LESSOR

The undersigned Master Lessor hereby consents to the foregoing Sublease and agrees that the Sublease shall not create a default or give rise to an event of default under the Master Sublease.

MASTER LESSOR:

TRINET ESSENTIAL FACILITIES XXIII, INC.

By:

Name:

Its:

[CORPORATE SEAL]

EXHIBIT D

SHARED SERVICES AGREEMENT

THIS SHARED SERVICES AGREEMENT (the "Agreement"), dated as of the 23rd day of July, 2001, is made and entered into by and between CROWN CRAFTS, INC., a Georgia corporation ("Crown"), and DESIGN WORKS, INC., a Delaware corporation ("Design Works").

W I T N E S S E T H:

WHEREAS, Crown, Design Works, Design Works Holding Company, the parent corporation of Design Works, and Crown Crafts Designer, Inc., a wholly-owned subsidiary of Crown, have entered into a Merger Agreement (the "Merger Agreement") dated as of July 23, 2001, pursuant to which, among other things, Design Works will merge with and into Crown Crafts Designer, Inc. as of the Closing Date;

WHEREAS, prior to the Closing Date, Crown used certain technology and personnel resources to support the operation of the Business and the Infant Business, including hardware, software, internet and computer networks and services, local and long distance telephone systems, cellular telephones and record storage systems available to Crown under certain agreements with third parties, certain management, human resources, accounting and financial personnel, and certain other resources (collectively, the "Shared Services"),

and effective as of the Closing Date, certain of the Shared Services will be transferred to Design Works;

WHEREAS, in order to support the Business of Design Works beginning on the Closing Date, and to support the Infant Business of Crown after the Closing Date, each party hereto desires that other party hereto make available certain of the Shared Services owned, held or assumed by such party for the term of this Agreement, all in accordance with the terms and conditions hereof; and

WHEREAS, the execution and delivery of this Agreement, which is attached as Exhibit D to the Merger Agreement, is a condition to the consummation of the transactions contemplated thereby;

NOW, THEREFORE, in consideration of the promises and covenants contained herein, and intending to be legally bound hereby, Crown and Design Works hereby agree as follows:

ARTICLE 1. SHARED SERVICES.

SECTION 1.01 EDI SERVICES.

(a) Baseline EDI Services. Design Works will provide to Crown the electronic data interchange services more particularly described on Schedule 1.01 attached hereto (collectively, the "Baseline EDI Services") from the Closing Date through the date selected by Crown to

terminate the Baseline EDI Services hereunder (the "EDI Termination Date"), provided that (i) the EDI Termination Date is the last business day of any calendar month; (ii) Design Work receives at least sixty days' prior written notice of the EDI Termination Date; and (iii) the EDI Termination Date cannot occur until such time as Crown as transferred its Human Resources ("HR") database off of the AS-400 (as hereinafter defined). Any such notice of the EDI Termination Date shall be irrevocable. Design Works shall use commercially reasonable efforts to provide the Baseline EDI Services to Crown on a continuous basis during the term hereof; provided, however, that Design Works shall only be obligated to provide up to a maximum of 16 2/3 hours per month on a cumulative basis for all Design Works employees for the addition of new documents to the profiles of Crown's existing customers, and any time spent by Design Works employees over such cumulative maximum will be charged to Crown at the Project Rate (as hereinafter defined) for such Design Works employees.

(b) EDI Project Services. In addition to the EDI Baseline Services, Design Works will provide to Crown for the period set forth in Section 1.01(a) hereof such additional services related to the Conversion (as hereinafter defined) and migration off of Design Works' EDI system (referred to herein as "EDI Project Services"; the Baseline EDI Services and the EDI Project Services are sometimes referred to herein collectively as the "EDI Services") as shall be mutually agreed to by the parties hereto and reduced to writing in a Statement of Work in advance of the provision of such EDI Project Services. Design Works will use commercially reasonable efforts to allocate a sufficient number of Design Works employees to the provision of EDI Project Services; provided, however, that (i) Design Works will not be required to provide the services of its employees hereunder if providing such services would materially restrict such employees' ability to perform their regular services for Design Works; and (ii) Design Works shall not be required hereunder to provide more than the services of one full-time employee. All time spent by Design Works employees in the provision of EDI Project Services for Crown (including all time spent in research, preparation, meetings and conference calls with ROI Systems, Inc. ("ROI")) shall be charged to Crown at the Project Rate in one-half hour time increments for each Design Works employee.

(c) Conditions of and Exclusions to EDI Services.

(i) Crown will provide the services of one full-time Crown employee that is knowledgeable in the Infant Business who will be responsible for ensuring Crown's compliance with the vendor guidelines of its customers and for notifying Design Works of any changes required in the EDI services for any Crown customer.

(ii) Design Works will promptly notify Crown of all orders

commingling Design Works products and Crown products.

(iii) Crown shall be responsible for all changes of customer setups, for pointing to new mailboxes in the Value Added Area Network, and for Crown's EDI technical architecture.

(iv) Enhancements to or upgrades of the EDI Services, computer program source codes and executables shall not be included in the EDI Services provided by Design Works hereunder.

(v) Crown shall submit all questions or issues related to the implementation of the EDI Services to ROI before submitting such questions or issues to Design Works.

(vi) Design Works shall not be obligated hereunder to convert or upgrade to a new or different EDI translator software package to interface with Crown's translator software package or to meet Crown's computer requirements unless Design Works, in its discretion, elects to do so or the parties hereto reach a separate agreement concerning the sharing of the costs associated with such conversions or upgrades.

(vii) Design Works is providing the EDI Services hereunder on a commercially reasonable efforts basis. Without limiting the generality of the foregoing or of Article 3 of this Agreement, Design Works shall not be liable for any errors or omissions in the EDI Services, or any customer chargebacks. Furthermore, Crown shall have sole responsibility for monitoring and ensuring compliance with the EDI requirements of its customers.

(d) Cost of EDI Services. As compensation to Design Works for the provision of the EDI Services, Crown shall pay Design Works the amount per month set forth below in accordance with the terms of Article 2 hereof for each month during the term set forth in Section 1.01(a) hereof:

(i) $10,000 per month for each of months 1 through 6;

(ii) $15,000 per month for each of months 7 and 8;

(iii) $20,000 per month for each of months 9 and 10;

(iv) $30,000 per month for each of months 11 and 12; and

(v) $50,000 per month for month 13 and each month thereafter.

SECTION 1.02 IT SERVICES.

(a) Frame Relay Cost and Internet. From the Closing Date through the date of the expiration of Crown's Connectivity Agreement and WANS MNS Agreement on June 16, 2002, Design Works will use commercially reasonable efforts to operate and maintain the frame relay infrastructure and internet connectivity operated by Crown prior to the Closing, and the employees associated therewith (collectively, the "Network"), for Crown in the manner that it was operated and maintained by Crown prior to the Closing. Notwithstanding the foregoing, the parties hereto acknowledge that interruptions in service and system-down situations may occur

with the Network that are beyond Design Works' control, and that such interruptions and system-down situations may result in the Network being inoperable from time to time. Design Works shall use commercially reasonable efforts to minimize such interruptions and system-down situations and to restore the operation of the Network as quickly as practicable under the circumstances.

(i) The parties hereto agree to share equally (i.e., on a

50/50 basis) the costs more particularly described on Schedule 1.02(a) hereto relating to the Network.

(ii) The parties hereto agree that, at the Closing, Design Works will become the owner of the existing Network infrastructure that is located at all Design Works sites, including Design Works' Atlanta office, and that Crown will retain the ownership of the all existing Network infrastructure located at all of Crown's Infant Business sites, but excluding Crown's Atlanta office. If either party hereto establishes its own frame relay or similar WAN infrastructure before June 16, 2002, then such party will remain obligated to pay its share of the costs set forth on Schedule 1.02(a) hereto through June 16, 2002. Any disconnect charges, termination charges or other charges for termination of the Network services are to be paid by the terminating party. All communications with AT&T, the Network service provider, regarding the day-to-day operations of the Network must be initiated through Design Works' Director of Information Technology; provided, however, that Crown may participate in all conferences with Design Works and AT&T regarding the day-to-day operation of the Network.

(iii) Design Works will provide to Crown up to ten hours per month of the work time of Messrs. Joe Bruno and Robert Brown, or other Design Works employees who perform duties similar to the duties of Messrs. Bruno and Brown, to provide desktop support services to Crown employees at its Atlanta office during the term set forth in Section 1.02(a) hereof. All time spent by Messrs. Bruno and Brown or such other Design Works employees after the first ten hours in the provision of desktop support services to Crown personnel hereunder shall be charged to Crown at the Maintenance Rate (as hereinafter defined). Crown shall direct all requests for Network or desktop support services to the e-mail HELP desk facility, which will generate a reply upon completion of the service showing all time spent on each request submitted.

(iv) Design Works will not provide Network services to Aladdin Manufacturing Corporation ("Aladdin") following the Closing. Receipts for any services performed for Aladdin by Crown prior to the Closing will remain the property of Crown, and any charges by AT&T or other Network service providers for disconnect services or other services arising as a result of Aladdin's migration off of the Network will be obligations of Crown.

(v) At the Closing, Design Works shall assume all lease and maintenance obligations, and thereafter Design Works shall pay the lease and maintenance

costs of the telecomunications equipment leased from Siemens Corporation through the expiration of such lease and maintenance agreements.

(b) Internet Domain Name Services and Sharing. The parties hereto agree that the internet domain name and address "crowncrafts.com" is the property of Crown, and will remain the exclusive property of Crown after the Closing. The parties hereto agree that Design Works may share such domain name and address with Crown for a period of three months after the Closing and may receive forwarded email messages which were sent to crowncrafts.com for an additional three months after the expiration of the first three-month period hereunder.

(c) Dial-Up Networking. Each party hereto will be responsible for the cost of all dial-up internet access service provider agreements as set forth on Schedule 1.02(c) hereto. If the parties hereto negotiate a new agreement for dial-up internet access, such new agreement will provide that Design Works and Crown will be billed separately for such service.

(d) SAP System.

(i) Crown agrees to provide transition services to Design Works with respect to the SAP America, Inc. ("SAP") FI and CO computer software modules for accounting and financial reporting that Crown operated prior to the Closing (the "SAP System") in accordance with Section 11.3 of that certain SAP America Inc. R/3 Software End-User License Agreement dated as of June 8, 1998, as amended (as so amended, the "SAP Agreement"), for a period of six (6) months after the Closing; provided, however, that Design Works may extend such period for an additional six (6) months by providing written notice of such extension to Crown no later than twenty (20) days prior to the expiration of the initial six (6) month period and so long as Design Works pays all payments, fees and charges of SAP arising out of or related to such extension. After the Closing and during such period (as the same may be extended hereunder) Crown will cooperate in all reasonable respects with Design Works in its efforts to obtain the assignment of the SAP Agreement in accordance with its terms; provided, however, that Crown will not be obligated to compromise or settle any claims that Crown has against SAP or to pay any fees, costs or expenses in connection with such transfer or assignment, including, without limitation, any transfer or assignment fees payable to SAP, and all such fees, costs and expenses will be the exclusive obligation of Design Works; and provided further, however, that if Crown shall so compromise or settle any claims against SAP and/or Plaut, Crown shall use its best efforts to secure as part of such settlement SAP's consent to assign the SAP Agreement to Design Works. Prior to such assignment, and to the extent necessary to grant Design Works the rights contemplated herein under the SAP Agreement, and subject to SAP's Vendor Consent, if necessary, Crown hereby grants to Design Works an exclusive, irrevocable, royalty-free sublicense of all of Crown's licensed rights under the SAP Agreement during the term set forth in this Section 1.02(d) and any extension thereof. If any Dispute over the nature, quality or scope of the SAP System arises hereunder, the prior practice of Crown, SAP and

the vendors under the SAP Agreement will be final and binding on the parties hereto.

(ii) During the term set forth in this Section 1.02(d) and any extension thereof, Design Works shall use commercially reasonable efforts to operate and maintain the SAP System for both parties hereto in substantially the same manner that it was operated and maintained by Crown prior to the Closing. Notwithstanding the foregoing, the parties hereto acknowledge that interruptions in service and system-down situations with the SAP System may occur that are beyond Design Works' control, and that such interruptions and system-down situations may result in the SAP System being inoperable from time to time. Design Works shall use commercially reasonable efforts to minimize such interruptions and system-down situations and to restore the operation of the SAP System as quickly as practicable under the circumstances. Crown shall remain a user of the SAP System until the completion of the final accounting of Crown on a consolidated basis through the date of the Closing, at which time, Crown will terminate its use of the SAP System. For so long as Crown and Design Works share the SAP System, Crown and Design Works agree to share equally (i.e., on a 50/50 basis) the costs and expenses described on Schedule 1.02(d) attached hereto in connection with the use and support of the SAP System (it being understood that all charges from SAP from periods prior to the Closing Date, as and when finally determined, will remain the sole responsibility of Crown); provided, however, that if ad hoc analyses or investigations are conducted to support customer, governmental or legal inquiries of Crown for any period, and such analyses or investigations require access to SAP System historical data, the development of inquiry

programs or responses to questions about the information produced, then Crown shall pay the Maintenance Rate for up to the first two hours of all Design Works employee time spent performing such services hereunder and the Project Rate for all Design Works employee time after the first two hours spent performing such services hereunder; and provided further, however, that all amounts due under the SAP System agreement with EMC Corporation for software maintenance of the EMC disk will remain an obligation of Crown after the Closing. During the term of this Section 1.02(d), Design Works will not terminate or migrate off of the SAP System without giving Crown six months prior written notice. During such notice period, neither party hereto shall be obligated to pay any maintenance costs with respect to the SAP System. If (and only if) Crown has terminated the services set forth in this Section 1.02(d), then Crown will pay Design Works $1,000.00 per month through December 31, 2001, payable by the 15th day of each month, for access to SAP reports, plus the Maintenance Rate of any Design Works employee if assistance is needed by Crown to run such SAP reports.

(e) Design Works' AS-400 Computer. Design Works shall use commercially reasonable efforts to operate and maintain its IBM AS-400 mainframe computer system (the "AS-400") for accounting and financial reporting and HR record-keeping for both parties hereto in the manner that it was operated and maintained by Crown prior to the Closing from the date

hereof through the EDI Termination Date, at which time Crown will have transferred its HR database and record-keeping services off of the AS-400 and the Shared Services provided under this Section 1.02(e) shall cease. Notwithstanding the foregoing, the parties hereto acknowledge that interruptions in service and system-down situations may occur that are beyond Design Works' control, and such interruptions and system-down situations with the AS-400 may result in the AS-400 being inoperable from time to time. Design Works shall use commercially reasonable efforts to minimize such interruptions and system-down situations and to restore the operation of the AS-400 as quickly as practicable under the circumstances. If Design Works must repair, replace or install replacement drives or peripheral equipment on the AS-400 prior to the termination of Crown's use thereof, Crown will pay its pro-rata share (based on the number of months that Crown uses the AS-400 pursuant hereto and the total number of months that such drives or peripheral equipment may be depreciated under generally accepted accounting principles) of the costs and expenses associated therewith as set forth on Schedule 1.02(e) attached hereto; provided, however, that if such drives or peripheral equipment were repaired, replaced or installed primarily to facilitate the performance by Design Works of services for Crown hereunder, Crown shall be responsible for all of the costs and expenses associated therewith unless Crown elects to terminate the AS-400 services provided hereunder upon 30 days prior written notice to Design Works. If Design Works is required to perform ad hoc analyses or investigations to support customer, governmental or legal inquiries of Crown for any period, and such analyses or investigations require the use of the AS-400, Crown shall pay Design Works the Project Rate for all Design Works employees used to perform such services. Further, if Design Works is required to provide periodic services to support the historical archiving of all of Crown's legal entity electronic information, then Crown shall pay the Maintenance Rate for up to the first two hours of all Design Works employee time spent performing such services hereunder and the Project Rate for all Design Works employee time after the first two hours spent performing such services hereunder. Notwithstanding the terms of Section 3.01 hereof to the contrary, Design Works will warrant that all AS-400 program problems and failures with ongoing services will be corrected as soon as practicable, but Design Works will not be responsible for customer chargebacks incurred by Crown as a result of such problems or failures. During the term of this Section 1.02(e), Design Works shall not terminate or migrate off of the AS-400 without giving Crown 12 months prior written notice.

(f) Long Distance Telephone Service. Until such time as Design Works transfers its long distance telephone service to another carrier, Crown shall provide Design Works with access to Crown's long distance telephone service, and Design Works shall pay its pro-rata share (calculated by dividing the number of Design Works employees occupying its Atlanta offices as of the date of the Closing by the total number of employees of both Design Works and

Crown that occupy their respective Atlanta offices as of the date of the Closing) of the actual cost of Crown's long distance service, including, without limitation, all taxes, special charges, fees and assessments, under Crown's AT&T long distance telephone service agreement. All other costs, fees and expenses shall be the obligation of Crown. The parties hereto agree that the pro rata calculation set forth in this Section 1.02(f) will be revised at the end of each consecutive 90-day period during the term of this Section 1.02(f) to accurately reflect the employee census numbers at the parties' respective Atlanta offices; provided, however, that Crown shall have no obligation to make payments under this Section 1.02(f) for periods after Crown has vacated its Atlanta

offices. During the term of this Section 1.02(f), Crown shall not terminate its AT&T long distance service without giving Design Works 90 days prior notice.

(g) Atlanta Phone Systems, Coverage and Dial Tone.

(i) Until such time as Design Works transfers its local telephone service to another carrier, Crown shall provide Design Works with access to Crown's local and dial tone telephone service, and Design Works shall pay its pro-rata share (calculated by dividing the number of Design Works employees occupying its Atlanta offices as of the date of the Closing by the total number of employees of both Design Works and Crown that occupy their respective Atlanta offices as of the date of the Closing) of the actual cost of Crown's local telephone service, including, without limitation, all taxes, special charges, fees and assessments, under Crown's AT&T local telephone service agreement. All other costs, fees and expenses shall be the obligation of Crown. The parties hereto agree that the pro rata calculation set forth in this Section 1.02(g) will be revised at the end of each consecutive 90-day period during the term of this Section 1.02(g) to accurately reflect the employee census numbers at the parties' respective Atlanta offices; provided, however, that Crown shall have no obligation to make payments under this Section 1.02(g) for periods after Crown has vacated its Atlanta offices. During the term of this Section 1.02(g), Crown shall not terminate its AT&T local telephone or dial tone service without giving Design Works 90 days prior notice. At the Closing, Design Works will assume Crown's dial tone service agreement and will thereafter be responsible for such dial tone service agreement through the date of its termination or expiration.

(ii) As set forth in Section 1.02(a)(v) hereof, Crown's lease agreement with respect to its Siemens 9200 switch (the "PBX Switch") and the maintenance contract associated therewith will be transferred and assigned to Design Works at the Closing, the total cost of which equals $6,206 per month. Crown shall be obligated to pay its pro-rata share, as calculated and adjusted in Section 1.02(g)(i) above, of such total monthly cost, as well as any other charges from the service vendor of the PBX Switch that are not covered by such lease or maintenance agreement. All ad hoc charges from the vendor of the PBX Switch to reconfigure telephones or to set up new users will be charged to the party who initiated such service, and shall be invoiced and paid as provided in Article 2 hereof. All costs and expenses associated with establishing a routing tree and an auto-attendant within the PBX Switch system to distribute calls between Design Works and Crown during the term hereof will be shared equally (i.e., on a 50-50 basis).

(iii) Notwithstanding the foregoing, Design Works shall keep the telephone numbers at all Design Works locations, including its Atlanta office main number.

(h) Cell Phones. Design Works will cancel all of its AT&T cell phone agreements, effective as of the end of the next succeeding billing period after the Closing, and will return all AT&T cell phones to Crown on such date. At the Closing, Design Works will receive all cell

phones and assume all cell phone agreements of Crown with respect to Design Works employees with any carrier other than AT&T, and Crown will assign the agreements relating to such cell phones to Design Works.

(i) Other Computer Software and Applications. At the Closing, certain of the computer software and applications included in the Intellectual Property transferred to Design Works in connection with the Business will be needed by Crown after the Closing in connection with its operation of the Infant Business, and certain of the computer software and applications retained by Crown after the Closing in connection with the Infant Business will be needed by Design Works in connection with its operation of the Business. Accordingly, after the Closing and subject to the receipt of Vendor Consents, each of the parties hereto grants to the other party hereto a royalty-free right to continued access to and use of such computer software and applications in connection with the operation of the Business or the Infant Business, as the case may be; provided, however, that nothing in this Section 1.02(i) shall be deemed to grant Crown any right of access or use of computer software and applications related to the EDI Services (Crown's rights with respect the EDI Services being governed exclusively be Section 1.01 hereof). If the parties hereto cannot obtain Vendor Consents with respect to the rights granted pursuant to this Section 1.02(i) on or prior to the Closing Date, then Design Works and Crown shall continue to use all reasonable efforts to obtain any such Vendor Consents after the Closing Date until such time as such Vendor Consents have been obtained, and each of the parties hereto will cooperate in all reasonable respects with the other party hereto in any lawful and economically feasible arrangement to ensure that each party hereto shall receive the benefits under any such instrument, contract, lease or other agreement or arrangement, including performance by the other party hereto as agent, if economically feasible; provided that each party hereto shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefits to the extent such party would have been responsible therefor hereunder if such Vendor Consent had been obtained; and provided further that nothing herein shall require either party hereto to pay or forfeit any fees or make any other type of payment to any third party other than payments due under existing agreements in order to obtain their Vendor Consent, it being understood that any such fees and payments which are paid with the consent of either party hereto shall be the sole responsibility of the consenting party. Nothing in this Section 1.02(i) shall be deemed to modify or supersede any of the provisions of this Agreement with respect to other computer hardware and software specifically provided for elsewhere herein.

(j) Third Party Agreements.

(i) Design Works and Crown acknowledge and agree that certain of the services set forth in this Section 1.02, including certain hardware, software, equipment, computer networks, internet service access, local and long distance telephone service and cell phone service, the maintenance and support of the foregoing and certain personnel associated therewith, are provided to the parties hereto by third party vendors in accordance with agreements (the "IT Agreements") between Crown and such vendors. Design Works and Crown further acknowledge and agree that after the Closing, certain of the IT Agreements will be assumed by Design Works pursuant to the Merger Agreement. The parties hereto have identified on Schedule 1.02(j) attached

hereto certain of the IT Agreements; however, the term "IT Agreements" as used in this Agreement shall include all agreements between Crown and Design Works and third parties which directly relate to or support the information and technology operations of the Business and the Infant Business.

(ii) In furtherance of its obligation under this Section 1.02, the party hereto retaining or assuming such IT Agreements, as the case may be, shall (A) maintain such IT Agreements in full force and effect, and (B) subject to the receipt of the Vendor Consents (as hereinafter defined), make

available (and cause the applicable IT Agreement vendors to make available) to the other party hereto the services available to the providing party hereto under such IT Agreements. To the extent necessary to grant the party hereto receiving such services under this Section 1.02 the rights contemplated herein under the IT Agreements, and subject to the receipt of the Vendor Consents, the party hereto retaining or assuming, as the case may be, the IT Agreements hereby grants to the other party hereto an exclusive, irrevocable sublicense of all of the retaining or assuming party's licensed rights under the IT Agreements during the term of this Agreement.

(iii) The party hereto retaining or assuming such IT Agreements shall use its commercially reasonable efforts to obtain appropriate written authorizations ("Vendor Consents") permitting such party to make available to the other party hereto the services described in this Section 1.02 under the IT Agreements. The party hereto retaining or assuming such IT Agreements shall be responsible for making any payments associated with obtaining the Vendor Consents, and shall provide the other party hereto with written evidence of having obtained such Vendor Consents no later than fifteen (15) days following the Closing.

(iv) From and after the Closing Date, the party hereto retaining or assuming such IT Agreements shall pay all royalties, license fees and other contract charges and fees due under the IT Agreements, and the other party hereto shall pay the retaining or assuming party hereto for such other party's use of the services as set forth in this Agreement.

SECTION 1.03 CLAIMS AND RECORD RETENTION.

(a) Claims Processing - Customer Deductions. After the Closing and for a period of twelve consecutive months, Design Works will cooperate with Crown in all respects to provide documentation with respect to customer issues arising after the Closing. During such period, to the extent customer deductions are made from payments to Design Works that relate to Crown's woven products division, Design Works will provide sufficient documentation to Crown to show that such deductions relate to such woven products division, and Crown will reimburse Design Works for the full amount of such deductions by the 15th day of the calendar month following the calendar month during which such deductions were incurred. Also during such period, to the extent customer deductions are made from payments to Crown that relate to the Business, Crown will provide sufficient documentation to Design Works to show that such deductions relate to the Business, and Design Works will reimburse Crown by the 15th day of the following calendar

month the full amount of such deductions. Design Works and Crown each agrees to promptly remit to the other party hereto payments meant for the other party and shall promptly notify the other party of questionable payments so that both parties can determine who the rightful payee is. To the extent that either party hereto receives returns of inventory from the customers of the other party hereto, the parties agree to deliver such inventory returns to the party hereto that owns such inventory returns at the following locations:

If to Design Works, to: Design Works, Inc.
225 Crown Boulevard
Timberlake, North Carolina 27583

If to Crown, to: Crown Crafts, Inc.
1414 North Airline Highway
Gonzalez, Louisiana 70737

All freight and handling charges (including insurance) associated with such inventory returns shall be paid by the party hereto that properly owns the inventory being returned.

(b) Corporate Records Retention.

(i) All monthly rental costs associated with the storage spaces located in Calhoun, Georgia at Bryan's Mini-Warehouses and at Pine Street Rentals for storage of Crown's and Design Works' corporate records, or any additional or substitute facilities used for such purposes so long as the aggregate cost of such storage spaces to Crown hereunder does not increase above the rate paid by Crown for the current facilities (collectively, the "Records Storage Space") will be paid by Design Works, and all leases and rental agreements with respect to the Records Storage Space will be assumed by Design Works at the Closing. For so long as any Crown corporate records are maintained at the Records Storage Space, upon presentation of a monthly invoice from Design Works to Crown for an amount equal to one half of the monthly rent for the Records Storage Space, Crown will reimburse Design Works for one half of such rental costs.

(ii) At Crown's request, Design Works will assist Crown in locating Crown's corporate records at the Records Storage Space. Crown agrees to pay Design Works the Maintenance Rate for all time spent by Design Works employees pursuant to this Section 1.03(b)(ii) using lowest rate qualified person available on Schedule 2.01 hereto.

(iii) Beginning on the date that is six months after the date hereof and at six-month intervals thereafter during the term of this Agreement, Design Works will review the corporate records of Crown located at the Records Storage Space to determine if any corporate records may be disposed of. With the prior written consent of Crown, Design Works will dispose of all corporate records determined to be disposable, and Crown will pay Design Works the Maintenance Rate for all time spent by Design Works employees pursuant to this Section 1.03(b)(iii) using

the lowest rate qualified person available on Schedule 2.01 hereto, plus one-half of all other costs associated with the disposal thereof, including temporary labor, disposal fees and landfill fees. All corporate records in electronic or hard copy form will be maintained for the time periods prescribed by the rules and regulations of the Internal Revenue Service.

(iv) Crown agrees to relocate all Crown corporate records within twelve months of the Closing Date.

SECTION 1.04 HUMAN RESOURCES.

(a) Transition Services. For a period of three months after the Closing, Design Works will make available to Crown the services of Angela Sanford to assist Crown with the transition of its HR support services after the Closing (not to exceed twenty hours per week). Design Works will also make Ms. Sanford available to Crown for a period of one year after the Closing to maintain Crown's personnel records and files, so long as such services do not interfere with her duties for Design Works. The parties hereto agree that all time spent by Design Works' HR personnel in the performance of duties for Crown hereunder will be charged to Crown at the Maintenance Rate. Design Works will also provide to Crown at no additional charge to or expense of Crown one complete copy of Crown's HR database in Design Works' standard flat-file format. All costs associated with any queries, copies or extracts requested by Crown after the delivery of such complete copy will be charged to Crown at the Project Rate.

(b) Contracted HR Services. After the Closing, Design Works and Crown will each separately contract with Taylor & Co, Crown's outside benefits consultant prior to the Closing, or another benefits consultant of its choosing, to create and maintain, or to obtain coverage for, healthcare and welfare benefits plans, including 401(k) plans, meeting its needs. The costs, fees and expenses of Taylor & Co or such other benefits consultant after the Closing will be borne by the party hereto receiving such services based on its separate agreement with Taylor & Co. or such other benefits consultant, and neither party hereto shall be responsible for any obligation of the other party hereto with

respect to the healthcare or welfare benefits of such other party after the Closing.

SECTION 1.05. ACCOUNTING AND FINANCIAL SERVICES. Schedule 1.05 attached hereto sets forth a list of the accounting and finance staff of Design Works available to provide services to Crown after the Closing. After the Closing and through the date that Crown's books are closed and financial statements have been prepared for the period from the end of the fiscal year prior to the Closing through the date of the Closing, Design Works' accounting staff will provide to Crown accounting and financial support services to enable Crown's books to be so closed as of the Closing Date and will provide all assistance reasonably requested by Crown to prepare and finalize financial statements for such period. In exchange for the services provided in this Section 1.05, Crown will pay Design Works a fee of $5,500 per week, payable weekly within ten calendar days of the end of each such week (with a minimum aggregate payment to Design Works of $33,350.00); provided, however, that if the times for the performance of such services exceed the times set forth on Schedule 1.05 hereto, then the parties hereto will negotiate in good faith an increase to the cost of such services beyond such times or either party hereto may

terminate services hereunder. All staff allocations and time conflicts shall be reviewed and agreed to by Dennis Cochran and representatives of Crown before any final determination shall be made. The $5,500 weekly rate set forth above is predicated upon the continuing employment of Carl Texter by Crown; if Mr. Texter shall cease to be so employed, Design Works shall be entitled to an increased weekly rate, which rate shall be determined by the mutual agreement of the parties hereto. In addition, to the extent that any Crown employees remain on the payrolls processed by Design Works' employee, Debra Peeples (or her replacement), after the Closing, Crown will pay Design Works at the end of each pay period processed by Ms. Peeples (or her replacement) during the term hereof an amount equal to $2,500 multiplied by a fraction, the numerator of which is the number of Crown employees on the payroll and the denominator of which is the total number of employees of Crown and Design Works; provided, however, that if the Closing occurs at any time prior to the last day of any pay period, such payment obligation shall not commence until the end of the pay period immediately following the pay period during which the Closing occurs. Any additional accounting and financial services performed by Design Works or Crown personnel for the other party hereto (including research, preparation time, meetings and conferences) will be charged to the party receiving such services at the Maintenance Rate for all employee time spent up to the first two hours and at the Project Rate for all employee time spent after the first two hours. If either party shall request conferences or meetings hereunder, all time spent by the other party's employees on such matter (including research and preparation time) will be charged to the requesting party at the Maintenance Rate for any request that takes one hour or less of the work time of an employee and at the Project Rate for any request that takes more than one hour of the work time of an employee (unless such time is chargeable to the requesting party under any other section of this Agreement).

SECTION 1.06 LEGAL DEPARTMENT. Crown's in-house counsel and legal department will remain with Crown after the Closing. Crown agrees to provide the services of such counsel and legal department to Design Works for a period of three months after the Closing, so long as not more than 25% of such counsel's and legal department's work time is spent performing services for Design Works hereunder. Any requests for services by Design Works that require one hour or less of work time will be charged at the Maintenance Rate, and all requests for services by Design Works that require more than one hour of work time will be charged at the Project Rate.

SECTION 1.07 MISCELLANEOUS OFFICE EXPENSES. Office supplies at Crown's Atlanta office will become the property of Design Works at the Closing. Crown may use reasonable amounts of such office supplies at no charge during the period that Crown and Design Works share the Atlanta office space.

SECTION 1.08 MATTERS RELATING TO PLAUT AND SAP. All outstanding obligations of Crown to Plaut Consulting, Inc. ("Plaut") and SAP prior to the Closing that arise out of or relate to the acquisition, modification and installation of SAP's enterprise-wide software shall remain an obligation of Crown after the Closing. After the Closing and upon Crown's request, Design Works will provide services of its employees for a reasonable time to consult with counsel, negotiate settlement agreements or for any other purpose relating

to the subject matter of this Section 1.08. All files and documents related to such matters in the possession of any Design Works employee will be turned over to Crown at the Closing. All time spent by such Design Works employees on such matters (other than all time spent by Michael H. Bernstein during the

first 30 days after the Closing negotiating settlements with Plaut and/or SAP, which will be provided to Crown free of charge) will be charged to Crown at the Maintenance Rate for any request that takes one hour or less of the work time of a Design Works employee and at the Project Rate for any request that takes more than one hour of the work time of a Design Works employee. If Crown settles its disputes with Plaut and SAP with respect to unpaid invoices during the six month period following the Closing Date, Crown and Design Works agree to share equally (i.e., on a 50/50 basis) all of the settlement proceeds paid to Crown as a result of such settlement until Crown has paid $100,000 of such settlement proceeds to Design Works, after which all additional settlement proceeds shall be retained by Crown.

SECTION 1.09 CONVERSION TO CROWN'S SYSTEMS; SHARING OF INFORMATION.

(a) Conversion. Immediately upon the execution and delivery of this Agreement, Design Works will reasonably cooperate with Crown in its formulation of a reasonable plan to convert certain of the Shared Services to its systems or the systems of third parties designated by Crown (the "Conversion") at the sole cost and expense of Crown. Representatives of the parties hereto may (at either party's request) meet periodically to review Crown's Conversion plan hereunder and may regularly communicate on the progress of the Conversion, the feasibility of the Conversion dates set forth in such Conversion plan and such other matters which may affect the smooth and efficient transition of such Shared Services to Crown hereunder. All issues and problems experienced by Crown during the Conversion will be identified at such review meetings, and the parties hereto will attempt to resolve all such issues and problems thereat. If the parties hereto cannot resolve such issues and problems at such review meetings, such issues and problems will be submitted to the President or the Chief Financial Officer of each of the parties hereto, who will attempt to resolve such issues and problems within three business days. If such officers cannot resolve such issues and problems within such three-business day period, then the resulting Dispute (as hereinafter defined), if any, will be subject to the terms of Article 8 hereof. Each of the parties hereto will cooperate with all reasonable requests of the other party made necessary to effectuate the Conversion in a timely and efficient manner. All time spent by Design Works or Crown employees on such matters (including research, meetings, conferences and preparation therefor) will be charged to the party requesting such services at the Maintenance Rate for any request that takes one hour or less of the work time of a Design Works or Crown employee and at the Project Rate for any request that takes more than one hour of the work time of a Design Works or Crown employee.

(b) Operational Information. Each of the parties hereto shall provide to the other party hereto, unless prohibited by law, the IT Agreements or the Vendor Consents to which such party has access as of the Closing to permit such other party hereto to have access to the Shared Services and for Crown to commence the Conversion. Each of the parties hereto acknowledges and agrees to comply with each of the covenants of the IT Agreements with respect to the protection of security and operational information and will not disclose such information except in accordance therewith. All program source code, tables or objects stored in the AS-400 program libraries shall become and remain the sole property of Design Works. If, prior to the Closing, Crown receives portions of such source code in connection with the Conversion of Crown's EDI Services, Crown may continue to have access to such portions of such source code after the Closing.

SECTION 1.10 SPECIAL SERVICES. Neither Crown nor Design Works shall have any obligation whatsoever to provide any services or items not specifically included herein. During the term of this Agreement, the parties hereto will consult with each other in good faith, as required, with respect to the furnishing of project work, special or additional services, extraordinary items and the like by either of the parties hereto. However, no work, services or items shall be done expect pursuant to a written agreement between the parties

hereto outlining the scope of the work to be done, signed by the Chief Financial Officers of the parties hereto, and setting forth the estimated cost of such projects, services or items under this Section 1.10.

SECTION 1.11 PERFORMANCE OBLIGATIONS.

(a) Vendor Interface. During the term of this Agreement, each of the parties hereto will be responsible for interfacing with the vendors and service providers under the IT Agreements to which it is a party with respect to any performance issues which may arise in connection therewith, and such party will diligently work with such vendors and service providers and the other party hereto to resolve any disputes or concerns relating to performance under the IT Agreements in a timely and efficient manner and to the reasonable satisfaction of such other party hereto.

(b) Proving Party's Performance. The parties hereto acknowledge and agree that the proper performance of their respective obligations with respect to the Shared Services is critical to the successful operation of the Business and the Infant Business by Design Works and Crown, respectively, after the Closing. Notwithstanding the foregoing, each party hereto acknowledges that the other party hereto is not in the business of providing the Shared Services and that, except as otherwise set forth herein, such party does not, and will not, warrant the performance of the Shared Services to the other party hereto. In the event of an error or omission in the provision of any of the Shared Services, the parties hereto agree to assist each other in promptly resolving such error, omission or failure. Each of the parties hereto shall make the Shared Services available to the other party hereto substantially in the same manner as such services were provided to Crown prior to the Closing. Each of the parties' obligations to provide any Shared Service hereunder is conditioned upon it obtaining the Vendor Consents, as well as all necessary governmental licenses, approvals and permits required to provide such Shared Services. In the event that either of the parties hereto fails to reasonably perform its obligations under this Agreement, and such failure results in a material adverse impact to the other party hereto in its operation of the Business or the Infant Business, as the case may be, such party shall notify the other party hereto in writing of such failure of performance. If such failure continues for ten days following receipt of such written notice, then the party sending such notice may submit such failure of performance and the facts and circumstances underlying such failure to the President or the Chief Financial Officer of each of the parties hereto, who will attempt to cure such failure or to agree to a plan to cure such failure within ten days thereafter. If such officers cannot cure such failure or agree to a plan to cure such failure within such ten-day period, then the party sending such notice shall have the right, immediately upon written notice to the other party hereto, to (A) terminate this Agreement and be relieved of any further obligations (including payment obligations) to the failing party hereunder; and (B) engage a third party or parties (including, without limitation, the vendors and service providers under the IT

Agreements) to perform the Shared Services and other obligations of the Providing Party hereunder until the expiration of the term for providing such Shared Service (provided that the failing party shall have no responsibility for the fees or expenses associated with the performance of such Shared Services by such third party or parties).

ARTICLE 2. FIXED CHARGES, EXPENSES AND FEES.

SECTION 2.01 FIXED CHARGES AND ADDITIONAL EXPENSES.

(a) Maintenance and Project Rates. Except as otherwise provided herein, certain of the employees of Crown and Design Works who perform services hereunder will be billed to the other party hereto at either the Maintenance Rate or the Project Rate in accordance with the provisions of Article 1 hereof. As used in this Agreement, (i) the term "Maintenance Rate" shall mean the hourly rate per employee set forth in the Column 1 of Schedule 2.01 attached hereto, and (ii) the term "Project Rate" shall mean the hourly rate per employee set forth in Column 2 of Schedule 2.01 attached hereto.

(b) Payment Terms. Unless otherwise noted, all amounts due between the parties hereto shall be invoiced and paid as follows:

(i) The party providing the particular Shared Service

will prepare an invoice for each separate Shared Service by the 30th day of the calendar month following the calendar month during which the performance of such Shared Service occurred and will submit such invoice to the Chief Financial Officer of the other party hereto. The amount payable pursuant to such invoice shall be due and payable in full by the other party hereto on net 15-day terms. All special projects pursuant to Section 1.10 hereof will be progress-billed.

(ii) If any amounts due hereunder are not paid in full when due, and such failure continues for ten business days after receipt of written notice of such failure to pay by the non-breaching party hereto, then the non-breaching party may terminate the Shared Service for which payment was not received, terminate this Agreement and be relieved of any further obligations (including payment obligations) to the breaching party hereunder and accelerate all future payments hereunder for the Shared Service for which payment was not received.

(c) No Obligation without Vendor Consent. Notwithstanding the foregoing, but subject to the terms of Section 1.02(i) hereof, the parties' respective obligations to pay for the Shared Services hereunder is conditioned on the party providing such Shared Service obtaining the Vendor Consents required by Section 1.02(j) above.

ARTICLE 3. LIMITATIONS OF LIABILITY/WARRANTY.

SECTION 3.01 NO LIABILITIES OR WARRANTIES. Each of the parties hereto agrees that neither the other party hereto nor any of its directors, officers, agents, representatives and employees shall have any liability, whether direct or indirect, in contract or tort or otherwise, to

such party for or in connection with the Shared Services rendered or to be rendered pursuant to this Agreement, the transactions contemplated hereby, or any actions or inactions of the such other party or any of its directors, officers, agents, representatives and employees in connection therewith, except for Damages (as hereinafter defined) which have resulted from the fraud, gross negligence or willful misconduct of such other party hereto or any of its directors, officers, agents, representatives and employees relating thereto. EXCEPT AS SET FORTH HEREIN, EACH OF THE PARTIES HERETO MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AND EACH OF THE PARTIES HERETO SPECIFICALLY DISCLAIMS, ANY IMPLIED WARRANTIES, WITH RESPECT TO THE SHARED SERVICES OR THE EMPLOYEES TO BE PROVIDED HEREUNDER, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

SECTION 3.02 LIMITATION. In no event shall either party hereto be liable to the other for special, punitive, incidental or consequential damages, including, without limitation, lost profits or loss of business reputation, that arise out of or relate in any way to this Agreement.

SECTION 3.03 THIRD PARTY CONSULTANTS. If, because of employee turnover, either party hereto is required to retain a third party consultant to render services to the other party hereunder, the party retaining such consultant shall be entitled to invoice the other party, and the other party shall pay, that portion of the costs and expenses of such third party consultant that exceed the costs of the employee for whom such consultant substitutes.

ARTICLE 4. INTEGRITY AND CONFIDENTIALITY OF DATA.

SECTION 4.01 ACCESS TO AND USE OF DATA. During the term of this Agreement, and subject to the terms of any Vendor Consent, the parties hereto shall continue to have access to and the use of all records, data files (and the data contained therein other than computer software source code or any data files pertaining thereto except as set forth in Section 1.09(b) hereof and in Schedule 1.01 hereto), input materials, reports and other materials (collectively, the "Data") received, computed, developed, processed or stored by or for Crown prior to the Closing Date and all Data received, computed, developed, processed or stored for either of the parties hereto by, or provided by either of the parties hereto to, the other party hereto pursuant to this

Agreement after the Closing Date.

SECTION 4.02 CONFIDENTIALITY. The parties hereto acknowledge that, in the course of the performance of their respective obligations pursuant to this Agreement, each may obtain certain confidential or proprietary information of the other or its affiliates or customers, including, without limitation, the Data and the terms and conditions of this Agreement. Each party hereto hereby agrees that all information communicated to it by the other party hereto, its affiliates or customers, whether before or after the Closing, shall be kept and was received in strict confidence and shall be used only in accordance with this Agreement, and shall not be disclosed by the other party, its agents or employees without the prior written consent of the non-disclosing party. In the event that either party hereto either determines on the advice of its counsel that it is required to disclose any information pursuant to applicable law or receives any demand under lawful process to disclose or provide information of the other party hereto that is

subject to the confidentiality provisions hereof, such party shall notify the other party hereto prior to disclosing and providing such information and shall cooperate at the expense of the requesting party in seeking any reasonable protective arrangements requested by such other party hereto. Subject to the foregoing, the party hereto that receives such request may thereafter disclose or provide information to the extent required by such law (as so advised by counsel) or by lawful process. Furthermore, the parties hereto shall take reasonable steps necessary to ensure that all information and records relating to the Business and the Infant Business are kept strictly confidential. Notwithstanding the above, this Agreement imposes no obligation on either party hereto with respect to information that is or becomes a matter of public knowledge through no fault of such party, is rightfully obtained by either party hereto from a third party not in violation of any duty of confidentiality, is disclosed by either party hereto to a third party without a duty of confidentiality imposed upon the third party, or is independently developed by either party hereto without reference to any proprietary or confidential information of the other party hereto.

SECTION 4.03 EMPLOYEE CONFIDENTIALITY AGREEMENTS. Each party hereto shall cause all of its employees and all other agents and representatives that will have access to the Data of the other party hereto or any of its other confidential or proprietary information after the Closing to sign a confidentiality agreement restricting their ability to disclose the Data or other confidential or proprietary information of such other party hereto without the prior written consent thereof.

ARTICLE 5. INDEMNIFICATION.

SECTION 5.01 PROMISE TO INDEMNIFY. Each party hereto (referred to in this Article 5 as the "Indemnifying Party") covenants and agrees to defend, indemnify and hold harmless the other party hereto (referred to in this Article 5 as the "Indemnified Party") from and against all losses, liabilities, obligations, costs, expenses, damages or judgments of any kind or nature whatsoever (including, without limitation, reasonable attorneys' fees and other costs and expenses incurred in connection therewith) (collectively, "Damages") arising out of or resulting from (a) any breach of or failure by the Indemnifying Party to comply with any agreement or covenant set forth in this Agreement or any schedule or exhibit hereto (other than those, if any, the performance of which shall have been waived in writing by the Indemnified Party); (b) any error, omission or wrongful conduct of the Indemnifying Party in the performance of the IT Agreements; or (c) any claim by any of the Indemnified Party's employees that arises out of or is based upon any act, error or omission by the Indemnifying Party; provided, however, that nothing in this Section 5.01 shall create any liabilities or warranties expressly excluded pursuant to Section 3.02 hereof.

SECTION 5.02 PROCEDURE FOR THIRD PARTY CLAIMS.

(a) If the Indemnified Party receives notice of the assertion by any third party of any claim or of the commencement by any such third person of any action, suit or proceeding (an "Action"), or if the Indemnified Party determines the existence of any such claim or the commencement by any such third party of any Action, whether or not the same shall have been asserted (any such claim or Action being referred to herein as an "Indemnifiable Claim") with

respect to which the Indemnifying Party is or may be obligated to provide indemnification, the

Indemnified Party shall notify the Indemnifying Party in writing (the "Claim Notice") of the Indemnifiable Claim within thirty days of the assertion thereof, and within ten days of receipt of notice of the filing of any Action based upon such assertion, or, with respect to a claim not yet asserted against the Indemnified Party, promptly upon the determination by an executive officer of the Indemnified Party of the existence of the same; provided, that the failure to provide such notice shall not relieve or otherwise affect the obligation of the Indemnifying Party to provide indemnification hereunder, except to the extent that any Damages directly resulted or were caused by such failure.

(b) The Indemnifying Party shall have thirty days after receipt of the Claim Notice to undertake, conduct and control, through counsel of its own choosing, and at its expense, the settlement or defense thereof, and the Indemnified Party shall cooperate with the Indemnifying Party in connection therewith if such cooperation is so requested and the request is reasonable, provided that the Indemnifying Party shall hold the Indemnified Party harmless from all of its out-of-pocket expenses, including reasonable attorneys' fees (including the allocated costs and expenses of in-house counsel and legal staff), incurred in connection with the Indemnified Party's cooperation. If the Indemnifying Party assumes responsibility for the settlement or defense of any such claim, (i) the Indemnifying Party shall permit the Indemnified Party to participate in such settlement or defense through counsel chosen by the Indemnified Party (subject to the consent of the Indemnifying Party, which consent shall not be unreasonably withheld); provided that, other than in the event of a conflict of interest requiring the retention of separate counsel, the fees and expenses of such counsel shall not be borne by the Indemnifying Party, and (ii) the Indemnifying Party shall not settle any Indemnifiable Claim without the Indemnified Party's consent, which consent shall not be unreasonably withheld or delayed if the settlement involves only payment of money, and which consent may be withheld for any reason if the settlement involves more than the payment of money, including, without limitation, any admission by the Indemnified Party. So long as the Indemnifying Party is vigorously contesting any such Indemnifiable Claim in good faith, the Indemnified Party shall not pay or settle such Indemnifiable Claim without the Indemnifying Party's consent, which consent shall not be unreasonably withheld or delayed.

(c) If the Indemnifying Party does not notify the Indemnified Party within thirty days after receipt of the Claim Notice that it elects to undertake the defense of the Indemnifiable Claim described therein, the Indemnified Party shall have the right to contest, settle or compromise the Indemnifiable Claim in the exercise of its reasonable discretion; provided, that the Indemnified Party shall notify the Indemnifying Party of any compromise or settlement of any such Indemnifiable Claim.

ARTICLE 6. TERM; TERMINATION.

SECTION 6.01 TERM. The term of this Agreement shall commence immediately upon the Closing and, unless otherwise terminated pursuant to this Article 6, shall continue until the expiration of the longest term specified in Article 1 hereof for the provision of the Shared Services.

SECTION 6.02 TERMINATION. Notwithstanding the terms of Section 6.01 hereof, this Agreement may be terminated at any time prior to the expiration of the term hereof (a) by mutual agreement of the parties hereto; or (b) by either of the parties hereto as set forth in Sections 1.11(b) and 2.01(b)(ii) and Article 7 hereof.

SECTION 6.03 EFFECT OF TERMINATION OR EXPIRATION. In the event of the termination and abandonment of this Agreement pursuant to Section 6.02 hereof, or the expiration of the term hereof in accordance with Section 6.01 hereof, this Agreement shall become void and have no further force or effect, except that the provisions of Articles 4, 5 and 8 hereof shall survive any such termination and abandonment hereof.

ARTICLE 7. FORCE MAJEURE.

Any failure or omission by either party hereto in the performance of any obligation under this Agreement shall not be deemed a breach of this Agreement or create any liability if the same arises from any cause or causes beyond the control of such party, including, without limitation, the following, which, for purposes of this Agreement shall be regarded as beyond the control of each of the parties hereto: acts of God, fire, storm, flood, earthquake, governmental regulation or direction, acts of the public enemy, war, rebellion, insurrection, riot, invasion, strike or lockout; provided, however, that such party shall resume the performance hereof whenever such causes are removed. Notwithstanding the foregoing, if such party cannot perform hereunder for a period of forty-five days due to such cause or causes, the affected party may terminate this Agreement by providing written notice to the other party hereto.

ARTICLE 8. DISPUTE RESOLUTION.

SECTION 8.01 ARBITRATION. If a dispute, controversy or claim ("Dispute") arises between the parties hereto relating to the interpretation or performance of this Agreement or any documents or agreements ancillary hereto, or a Dispute arises with respect to the grounds for the termination hereof, then unless otherwise mutually agreed, such Dispute shall be submitted to final and binding arbitration under the then-current Commercial Arbitration Rules of the American Arbitration Association ("AAA") by three arbitrators in Atlanta, Georgia. Such arbitrators shall be selected by the mutual agreement of the parties hereto or, failing such agreement, shall be selected according to the aforesaid AAA rules. The arbitrators will be instructed to prepare and deliver a written, reasoned opinion stating their decision within thirty days of the completion of such arbitration. The prevailing party in such arbitration shall be entitled to expenses, including, without limitation, costs and reasonable attorneys' and other professional fees, incurred in connection with such arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and non-appealable and may be enforced in any court of competent jurisdiction. The use of any arbitration procedures will not be construed under the doctrine of laches, waiver or estoppel to adversely affect the rights of either party hereto.

SECTION 8.02 COURT ACTION. Any Dispute regarding the following is not required to be negotiated or arbitrated prior to seeking relief from a court of competent jurisdiction: (a) breach of any obligation of confidentiality; (b) infringement, misappropriation or misuse of any

intellectual property right; or (c) any other claim where interim relief from the court is sought to prevent serious and irreparable injury to one of the parties hereto or to others; provided, however, that the parties to the Dispute shall make a good faith effort to negotiate or arbitrate such Dispute, according to the above procedures, while such court action is pending.

SECTION 8.03 CONTINUITY OF SERVICE AND PERFORMANCE. Unless this Agreement is terminated in accordance with its terms or unless otherwise agreed in writing, the parties hereto will continue to provide service and honor all other commitments under this Agreement and each schedule, document and agreement ancillary hereto during the course of dispute resolution pursuant to the provisions of this Article 8 with respect to all matters not subject to such Dispute.

ARTICLE 9. GENERAL PROVISIONS.

SECTION 9.01 MANAGEMENT OF THIS AGREEMENT. Crown's Chief Financial Officer and Design Works' Chief Financial Officer shall endeavor to establish appropriate mechanisms for the management of this Agreement.

SECTION 9.02 FURTHER ASSURANCES. Subject to Section 1.10 hereof, the parties hereto agree to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as either party hereto may at any time and from time to time reasonably request in order to better assure and confirm unto each party hereto its respective rights, powers and remedies conferred hereunder.

SECTION 9.03 EXPENSES. Except as otherwise specifically set forth in this Agreement, each party hereto shall bear its own costs, charges and

expenses.

SECTION 9.04 ASSIGNMENT AND DELEGATION OF RIGHTS AND DUTIES. Neither party hereto shall have the right to assign its rights or delegate its duties hereunder without the prior written consent of the other party hereto, provided that either party that delegates any duties hereunder remains liable for the performance thereof. Subject to the foregoing limits, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 9.05 RELATIONSHIP OF PARTIES. It is acknowledged and agreed by the parties hereto that no joint venture, partnership, employment or, except as otherwise provided herein, any other relationship is intended, accomplished or embodied in this Agreement.

SECTION 9.06 COMMUNICATION/USE OF NAME. Except as otherwise provided herein, each party hereto agrees not to use the name of the other party hereto in communications with third parties, including, without limitation, advertising or marketing material, related to this Agreement without the prior written consent of such other party, which consent shall not be unreasonably withheld or delayed.

SECTION 9.07 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if (a) delivered by hand, (b) mailed by registered or certified mail (return receipt requested) (c) deposited with a nationally recognized courier, such as

Federal Express, for next business day delivery, or (d) telecommunicated and immediately confirmed both orally and in writing, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and shall be deemed given on the date on which so hand-delivered or so telecommunicated or the next business day following deposit with such courier or on the third business day following the date on which so mailed, if deposited in a regularly-maintained receptacle for United States mail:

If to Design Works:

Design Works, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attention: Michael Bernstein, President
Telecopier: 770-644-6264
Telephone: 770-644-6302

With a copy to (which shall not constitute notice to Design Works):

Sims Moss Kline & Davis LLP
400 Northpark Town Center
Suite 210
1000 Abernathy Road, N.E.
Atlanta, Georgia 30328
Attention: Jerry L. Sims, Esq.
Telecopier: 770-481-7210
Telephone: 770-481-7200

If to Crown:

Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attention: Randall Chestnut, President
Telecopier: 770-644-6337
Telephone: 770-644-6263

With a copy to (which shall not constitute notice to Crown):

Rogers & Hardin LLP
2700 International Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attention: Steven E. Fox, Esq.
Telecopier: 404-525-2224
Telephone: 404-522-4700

SECTION 9.08 SOLE BENEFIT OF CROWN AND DESIGN WORKS. This Agreement is for the sole and exclusive benefit of Crown and Design Works and shall not be deemed to be for the direct or indirect benefit of any other person, including, without limitation, their respective customers or employees. Neither their respective customers nor their employees shall be deemed to be third-party beneficiaries hereof.

SECTION 9.09 INCORPORATION OF THE IT AGREEMENTS. The parties hereto understand and agree that the party receiving the Shared Services shall comply with each of the confidential information and non-disclosure covenants set forth therein; provided, however, that the parties hereto agree that the party receiving the Shared Services is not hereby assuming any rights, duties or obligations of the party providing the Shared Services under the IT Agreements and is not agreeing to be bound by the provisions thereof.

SECTION 9.10 GOVERNING LAW. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Georgia without regard to conflicts of laws principles.

SECTION 9.11 CONSTRUCTION. All article and sections headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the text requires. All schedules attached hereto shall by this reference be deemed to be incorporated in this Agreement as if set forth herein in full.

SECTION 9.12 ENTIRE AGREEMENT. This Agreement and the schedules and exhibits hereto constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior written and oral arrangements, agreements, or understanding with respect to the subject matter hereof. This Agreement may not be amended except pursuant to a writing signed by the parties hereto.

SECTION 9.13 WAIVER. Any term or provision of this Agreement may be waived at any time by the party hereto entitled to the benefit thereof by written instrument executed by such party. No failure of either party hereto to exercise any power or right granted hereunder, or to insist upon strict compliance with any obligation hereunder, and no custom or practice of the parties hereto with regard to the terms of performance hereof, shall constitute a waiver of the rights of such party to demand full and exact compliance with the terms of this Agreement.

SECTION 9.14 SEVERABILITY. In the event that any provision of this Agreement shall be found in violation of public policy or illegal or unenforceable in law or equity, such finding shall in no event invalidate any other provision hereof.

SECTION 9.15 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. Executed counterparts may be delivered via facsimile transmission.

SECTION 9.16 CAPITALIZED TERMS. Any capitalized terms not defined herein shall have the meaning ascribed to them in the Merger Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Shared Services Agreement to be executed by their duly authorized officers as of the day and

year first above written.

DESIGN WORKS, INC.

By:

Its:

CROWN CRAFTS, INC.

By:

Its:

EXHIBIT E

NON-COMPETITION AND NON-DISCLOSURE AGREEMENT

THIS NON-COMPETITION AND NON-DISCLOSURE AGREEMENT (the "Agreement") dated as of July 23, 2001, by and between DESIGN WORKS HOLDING COMPANY, a Delaware corporation ("Buyer"), and CROWN CRAFTS, INC., a Georgia corporation ("Seller").

WHEREAS, Seller, Buyer, Design Works, Inc., a Delaware corporation and wholly-owned subsidiary of Buyer ("Merger Sub"), and Crown Crafts Designer, Inc., a Delaware corporation and wholly-owned subsidiary of Seller ("CCD"), have entered into that certain Merger Agreement dated as of July 23, 2001 (the "Merger Agreement"), to which a form of this Agreement is attached as Exhibit "E," relating to the acquisition of certain assets and the assumption of certain liabilities of the Business by Buyer through the merger of Merger Sub with and into CCD;

WHEREAS, in order to protect the goodwill of the Business and the other value to be acquired by Buyer pursuant to the Merger Agreement for which Buyer is paying substantial consideration, Buyer and Seller have agreed that Buyer's obligation to consummate the transactions contemplated by the Merger Agreement are subject to the condition, among others, that Buyer and Seller shall have entered into this Agreement;

WHEREAS, Buyer has separately bargained and paid additional consideration for the covenants contained herein;

WHEREAS, Seller acknowledges that the provisions of this Agreement are reasonable and necessary to protect the legitimate interest of Buyer and the business and goodwill acquired by it pursuant to the Merger Agreement;

WHEREAS, Buyer acknowledges that, as a result of the transactions contemplated by the Merger Agreement, it will have access to information and resources that would allow it to more effectively compete with Seller and the provisions of this Agreement are reasonable and necessary to protect the legitimate interest of Seller and the Excluded Assets (as defined in the Merger Agreement) and the goodwill associated therewith; and

WHEREAS, in order to induce Buyer to consummate the transactions contemplated by the Merger Agreement, Seller is willing to enter into this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein, the parties agree as follows:

1. DEFINITIONS. Capitalized terms used but not otherwise defined herein shall have the meanings set forth below:

(a) "Affiliate" shall mean, with respect to any Person, any other Person that controls or is controlled by or is under common control with, such Person as determined in accordance with Rule 12b-2 of the General Rules and Regulations of the Securities Exchange Act of 1934, as amended.

(b) "Business" shall mean the adult bedding business of Seller and its Affiliates consisting of (i) the Calvin Klein Home Product Line owned by CCD, (ii) the Royal Sateen product line and the related agreement with Kitan Consolidated Industries, Limited ("Kitan"), (iii) the Kitan private label product line primarily sold to Costco Wholesale Corporation, (iv) the private label "I Love Daisies" product line sold to J. C. Penney Company, Inc., (v) the private label "Denim" product line sold to Linens `n Things, Inc. and others, and (vi) any discontinued adult bedding product lines which were shipped from North Carolina.

(c) "Competitive Business" shall mean any Person engaged in the business of designing, manufacturing, marketing, importing, selling or distributing Competitive Products.

(d) "Competitive Infant Business" shall mean any Person engaged in the business of designing, manufacturing, marketing, importing, selling or distributing Competitive Infant Products.

(e) "Competitive Infant Products" shall mean any type of products currently designed, manufactured, distributed, marketed, imported, sold or distributed by Seller in connection with the operation of the Infant Business, without regard to (i) the prices at which such products may be sold, (ii) any tradenames, trademarks, brands, labels, logos or other identifying characteristics used in selling such products, or (iii) the types of businesses that may purchase such products.

(f) "Competitive Products" shall mean any type of products designed, manufactured, distributed, marketed, imported, sold or distributed by Seller in connection with the operation of the Business, without regard to (i) the prices at which such products may be sold, (ii) any tradenames, trademarks, brands, labels, logos or other identifying characteristics used in selling such products, or (iii) the types of businesses that may purchase such products.

(g) "Confidential Information" shall mean all customer and supplier lists, marketing arrangements, business plans, projections, financial information, training manuals, pricing manuals, product development plans, market strategies, internal performance statistics and other competitively sensitive information of Seller relating to the Business and

not generally known by the public, other than Trade Secrets, whether or not in written or tangible form.

(h) "Infant Business" shall mean any business conducted by or related to Churchill Weavers, Inc., Crown Crafts Infant Products, Inc., Hamco, Inc., Burgundy Interamericana S.A. de C.V., Crown Crafts de Mexico S.A. de C.V., and any infant, juvenile or retail lines of business of Seller, including "Pillow Buddies."

(i) "Permitted Activities" shall mean (i) owning not more than 5% of the outstanding shares of publicly-held corporations engaged in a Competitive Business which have shares listed for trading on a securities exchange registered with the Securities and Exchange Commission or through the automatic quotation system of a registered securities association, or (ii) subject to this Agreement, carrying on or transacting business with any Competitive Business other than with respect to Competitive Products.

(j) "Person" shall mean a natural person or any legal, commercial or governmental entity, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, limited liability company, trust, business association, group acting in concert, or any person acting in a representative capacity.

(k) "Protected Market" shall mean each of the United States, Canada and Mexico.

(l) "Trade Secrets" shall mean the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula or improvement that is valuable and not generally known to the competitors of the Business, whether or not in written or tangible form.

2. NO COMPETING BUSINESS. Seller hereby agrees that for a period of four (4) years from and after the date hereof, except as permitted by Section 5 of this Agreement, it will not directly or indirectly, own, manage, operate, control, invest or acquire an interest in, or otherwise engage or participate in the establishment, management or operation of, any Competitive Business in any Protected Market, without regard to (A) whether the Competitive Business has its office, manufacturing or other business facilities within any Protected Market, or (B) whether any activity of Seller referred to above itself occurs or is performed within any Protected Market.

3. NO INTERFERENCE WITH THE BUSINESS. Seller hereby agrees that for a period of two (2) years from and after the date hereof, except as permitted by Section 5 of this Agreement, Seller will not, directly or indirectly, solicit, induce or influence any customer, supplier, lender, lessor or any other person that has a business relationship with the Business in any Protected Market, or which had on the date of this Agreement a business relationship with the Business in any Protected Market, to discontinue or reduce the extent of such relationship with the Business in any Protected Market; provided, however, that notwithstanding the foregoing, Seller agrees that for a period of three (3) years from and after the date hereof Seller will not, directly or

indirectly, engage in any transaction or conduct any business (including Permitted Activities) with those Persons identified on Exhibit A attached hereto, without the prior written consent of Buyer, which consent will not be unreasonably withheld or delayed; provided, however, that, in the event Seller enters into a licensing agreement with Calvin Klein, such supplier list shall be unrestricted as to use for Calvin Klein products.

4. NO DISCLOSURE OF PROPRIETARY INFORMATION.

(a) Seller hereby agrees that it will not, directly or indirectly, disclose to anyone, or use or otherwise exploit for its own benefit or for the benefit of anyone other than Buyer, any Trade Secrets (including the aforementioned supplier list) for so long as they remain Trade Secrets, except as permitted by Section 5 of this Agreement.

(b) Seller hereby agrees that for a period of two (2) years from and after the date of this Agreement it will not, directly or indirectly, disclose to anyone, or use or otherwise exploit for its own benefit or for the benefit of anyone other than Buyer, any Confidential Information, except as permitted by Section 5 of this Agreement.

5. PERMITTED ACTIVITIES. The restrictions set forth in Sections 2, 3 and 4 of this Agreement shall not apply to Permitted Activities (except as otherwise expressly provided in Section 3) or to actions taken by Seller to the extent that such actions are expressly approved by Buyer in writing.

6. BUYER'S RESTRICTIONS.

(a) Buyer hereby agrees that for a period of four (4) years from and after the date hereof, except as otherwise permitted by this Section 6 of this Agreement or as expressly approved by Seller in writing, it will not, directly or indirectly, own, manage, operate, control, invest or acquire an interest in, or otherwise engage or participate in the establishment, management or operation of, any Competitive Infant Business in any Protected Market, without regard to (A) whether the Competitive Infant Business has its office, manufacturing or other business facilities within any Protected Market, or (B) whether any activity of Buyer referred to above itself occurs or is performed within any Protected Market.

(b) Buyer hereby agrees that for a period of two (2) years from and after the date hereof, except as otherwise permitted by this Section 6, Buyer will not, directly or indirectly, solicit, induce or influence any customer, supplier, lender, lessor or any other person that has a business relationship with the Infant Business in any Protected Market, or which had on the date of this Agreement a business relationship with the Infant Business in any Protected Market, to discontinue or reduce the extent of such relationship with the Infant Business in any Protected Market.

(c) Buyer hereby agrees that for a period of four (4) years from and after the date hereof, Buyer will not directly or indirectly purchase, sell or distribute infant blankets or throws made by those current suppliers of such products to Seller set forth on Exhibit B attached hereto and incorporated herein by this reference, nor act as an agent for any such supplier with regard to selling or distributing such infant blankets or throws. Buyer specifically authorizes Seller to use Sabtex as Seller's agent provided that Sabtex is specifically instructed and signs an agreement in a form that is mutually satisfactory to both Seller and Buyer that states that Seller cannot use any Calvin Klein resources without Buyer's written authorization.

(d) Notwithstanding the foregoing, Buyer may (i) own not more than 5% of the outstanding shares of

publicly-held corporations engaged in a Competitive Infant Business which have shares listed for trading on a securities exchange registered with the Securities and Exchange Commission or through the automatic quotation system of a registered securities association, (ii) carry on or transact business with any Competitive Infant Business other than with respect to Competitive Infant Products, or (iii) in the event that Seller fails, for any reason, to enter into a Calvin Klein license with respect to Infant Business on or before December 31, 2002, then Buyer may enter into such a license with Calvin Klein and none of the restrictions set forth in this Section 6 shall apply to Buyer with respect to products covered by such license.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS. Seller represents and warrants that this Agreement is a legal, valid and binding obligation enforceable against Seller in accordance with its terms. Buyer represents and warrants that this Agreement is a legal, valid and binding obligation, enforceable against Buyer in accordance with its terms. Buyer agrees to assist Seller in obtaining a Calvin Klein license with respect to Infant Business. Buyer will provide Jerry Haggerty for a reasonable time on a reimbursement of expense basis only to help Seller obtain the such Calvin Klein license. Such reasonable time shall not exceed one (1) business day per month of Jerry Haggerty's time between the date hereof and the execution of such license agreement or June 30, 2002, whichever shall first occur.

8. WAIVERS. Neither party will be deemed as a consequence of any act, delay, failure, omission, forbearance or other indulgences granted from time to time by it, or for any other reason (i) to have waived, or to be estopped from exercising, any of its rights or remedies under this Agreement or (ii) to have modified, changed, amended, terminated, rescinded, or superseded any of the terms of this Agreement.

9. INJUNCTIVE RELIEF. Each party acknowledges (i) that any violation of this Agreement will result in irreparable injury to the other party, (ii) that damages at law would not be reasonable or adequate compensation to such other party for violation of this Agreement and (iii) such other party shall be entitled to have the provisions of this Agreement specifically enforced by preliminary and permanent injunctive relief without the necessity of proving actual

damages and without posting bond or other security as well as to an equitable accounting of all earnings, profits and other benefits arising out of any such violation.

10. NOTICES. All notices and other communications under this Agreement shall be in writing and may be given by any of the following methods: (i) personal delivery; (ii) facsimile transmission; (iii) registered or certified mail, postage prepaid, return receipt requested; or (iv) overnight delivery service requiring acknowledgment of receipt. Any such notice or communication shall be sent to the appropriate party at its address or facsimile number given below (or at such other address or facsimile number for such party as shall be specified by notice given hereunder):

TO SELLER:

Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Fax No. (770) 644-6337
Attn: President

with a copy to (which shall not constitute notice to Seller):

Rogers & Hardin LLP
2700 International Tower, Peachtree Center
229 Peachtree Street, N.E.

Atlanta, Georgia 30303
Fax No.: (404) 525-2224
Attn: Steven E. Fox, Esq.

TO BUYER:

Design Works Holding Company
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Fax No.: (770) 644-6264
Attn: Michael Bernstein, President

with a copy to (which shall not constitute notice to Buyer):

Sims, Moss, Kline & Davis LLP
400 Northpark Town Center
Suite 210
1000 Abernathy Road, N.E.
Atlanta, Georgia 30328
Fax No.: (770) 481-7210
Attn: Jerry L. Sims, Esq.

All such notices and communications shall be deemed received upon (i) actual receipt thereof by the addressee, (ii) actual delivery thereof to the appropriate address as evidenced by an acknowledged receipt, or (iii) in the case of a facsimile transmission, upon transmission thereof by the sender and confirmation of receipt. In the case of notices or communications sent by facsimile transmission, the sender shall contemporaneously mail a copy of the notice or communication to the addressee at the address provided for above; provided, however, such mailing shall in no way alter the time at which the facsimile notice or communication is deemed received.

11. SUCCESSORS IN INTEREST. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns, and any reference to a party hereto shall also be a reference to any such successor or assign.

12. NUMBER; GENDER. Whenever the context so requires, the singular number shall include the plural and the plural shall include the singular, and the gender of any pronoun shall include the other genders.

13. CAPTIONS. The titles, captions and table of contents contained in this Agreement are inserted herein only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof. Unless otherwise specified to the contrary, all references to Sections are references to Sections of this Agreement.

14. CONTROLLING LAW; INTEGRATION; AMENDMENT. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Georgia without reference to Georgia's choice of law rules. This Agreement and the documents executed pursuant hereto or in connection herewith supersede all negotiations, agreements and understandings among the parties with respect to the subject matter hereof and constitutes the entire agreement between the parties hereto. This Agreement may not be amended, modified or supplemented except by written agreement of the parties hereto.

15. SEVERABILITY. Any provision hereof which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective, to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by law, the parties hereto waive any provision of law which renders any such provision prohibited or unenforceable in any respect. In the event that any provision of this Agreement should ever be deemed to exceed the time, geographic, product or any other limitations permitted by applicable law, then such provision shall be deemed reformed to the maximum extent permitted by applicable law.

16. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement or the terms hereof to produce or account for more than one of such counterparts.

17. NO THIRD PARTY BENEFICIARY. Nothing expressed or implied in this Agreement is intended or shall be construed, to confer upon or give any person other than the parties hereto, and their successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, or result in such person being deemed a third party beneficiary of this Agreement.

[SIGNATURES ON NEXT PAGE.]

IN WITNESS WHEREOF, Buyer and Seller have each caused this Agreement to be duly executed and delivered on its behalf by an officer thereunto duly authorized, all as of the date first above written.

CROWN CRAFTS, INC.

By:

Its:

DESIGN WORKS HOLDING COMPANY

By:

Its:

EXHIBIT 3.1

CERTIFICATE REGARDING

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION OF

CROWN CRAFTS, INC.

The undersigned Secretary of CROWN CRAFTS, INC., a Georgia corporation (the "Corporation"), does hereby certify pursuant to Sections 14-2-602(d) and 14-2-1007(d) of the Georgia Business Corporation Code (the "Code") as follows:

I.

The name of the Corporation is Crown Crafts, Inc.

II.

The Restated Articles of Incorporation of the Corporation have been restated as the text set forth in the Second Amended and Restated Articles of Incorporation attached as Exhibit A hereto.

III.

Such Second Amended and Restated Articles of Incorporation contain an amendment and restatement of Article 5 of the Restated Articles of the Corporation, which was adopted by the Board of Directors pursuant to its authority under Section 14-2-601 of the Code. Such amendment did not require shareholder approval.

IN WITNESS WHEREOF, the undersigned does hereby set his/her hand as of this 23rd day of July, 2001.

By: /s/ Robert A. Enholm

Its: Secretary

EXHIBIT A

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
CROWN CRAFTS, INC.

1 .

The name of the Corporation is Crown Crafts, Inc. (the "Corporation").

2.

The Corporation is organized pursuant to the provisions of the Georgia Business Corporation Code.

3.

The period of duration of the Corporation is perpetual.

4.

The general nature of the business of the Corporation is the manufacture and sale of home furnishings products, and the Corporation shall have the power to engage in any and all other types of business.

5.

(a) Authorized Classes and Series and Numbers of Shares. The capital stock of the Corporation shall consist of a single class of common stock, $1.00 par value per share. The maximum number of shares of all series of capital stock of such class which the Corporation shall have authority to issue

is 50,000,000 shares, consisting of (i) 34,377,748 shares of $1.00 par value Series A Common Stock (the "Series A Common Stock"), 10,246,329 shares of $1.00 par value Series B Common Stock (the "Series B Common Stock") and 5,375,923 shares of $1.00 par value Series C Common Stock (the "Series C Common Stock") (the Series C Common Stock together with the Series A Common Stock and the Series B Common Stock being collectively referred to hereinafter as the "Common Stock"). The preferences, limitations and relative rights in respect of the shares of Series A Common Stock, Series B Common Stock and Series C Common Stock shall be as hereinafter provided in this Article 5.

(b) Certain Definitions. For the purposes of the designations that follow, the following terms shall have the meanings specified:

"Additional Shares of Series A Common Stock" shall mean all shares of Series A Common Stock issued or sold (or deemed to be issued pursuant to Article 5(d)(viii) or 5(d)(ix)) by the Corporation after the Original Issue Date of the Series B Common Stock or the Series C Common Stock, whether or not subsequently reacquired or retired by the Corporation, other than shares of Series A Common Stock issued (i) upon the exercise or partial exercise of the Warrants, (ii) upon the conversion of the Series B Common Stock or the Series C Common

Stock into shares of Series A Common Stock; or (iii) pursuant to that certain Stock Plan of the Corporation dated on or about the date of the filing of these Second Amended and Restated Articles of Incorporation with the Secretary of State of Georgia.

"Affiliate" with respect to a particular person shall mean a person that directly or indirectly controls, is controlled by, or is under common control with such person; control for such purpose meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"Business Day" shall mean any day on which banks are open for business in Atlanta, Georgia and New York City (other than a Saturday, Sunday or legal holiday in the States of New York, New Jersey or Georgia), provided, that any reference to "days" (unless Business Days are specified) shall mean calendar days.

"Conversion Price" shall have the meaning given to such term in Article 5(d)(v)(A) hereof.

"Conversion Rate" shall have the meaning given to such term in Article 5(d)(v)(A) hereof.

"Convertible Securities" shall mean any evidences of indebtedness, shares of capital stock (other than Series A Common Stock) or other securities that are or may be at any time directly or indirectly convertible into or exchangeable for Additional Shares of Series A Common Stock.

"Credit Agreement" shall mean that certain Credit Agreement between the Corporation among the Company, Churchill Weavers, Inc., Hamco, Inc., and Crown Crafts Infant Products, Inc., as borrowers, and Wachovia Bank, N.A., as a lender and as agent for the lenders thereunder and dated on or about the date on which these Second Amended and Restated Articles of Incorporation were filed with the Secretary of State of Georgia.

"Fair Value" shall mean, with respect to any securities or other property, the fair value thereof as of a date that is within fifteen (15) days of the date as of which the determination is to be made (a) determined by agreement between the Corporation and the Required Holders, or (b) if the Corporation and the Required Holders fail to agree, determined jointly by an independent investment banking firm retained by the Corporation and by an independent investment banking firm retained by the Required Holders, either of which firms may be an independent investment banking firm regularly retained by the Corporation, or (c) if the Corporation or the Required Holders shall fail so to retain an independent investment banking firm within ten (10) Business Days of the retention of such a firm by the Required Holders or the Corporation, as the case may be, determined solely by the firm so retained, or (d) if the firms so retained by the Corporation and by such holders shall be unable to reach a

joint determination within fifteen (15) Business Days of the retention of the last firm so retained, determined by another independent investment banking firm which is not a regular investment banking firm of the Corporation chosen by the first two such firms.

"Invested Amount" per share of Series B Common Stock or Series C Common Stock shall mean the price per share at which shares of such series are issued on the Original Issue Date thereof (as such price is adjusted for changes in the shares of such series by stock split, stock dividend, or the like occurring after such Original Issue Date).

"Liquidation" shall mean the liquidation, dissolution or winding up of the Corporation, or such of the Corporation's subsidiaries the assets of which constitute all or substantially all the assets of the business of the Corporation and its subsidiaries taken as a whole.

"Loan Agreement" shall mean that certain Subordinated Note and Warrant Purchase Agreement among the Corporation and Wachovia Bank, N.A., The Prudential Insurance Company of America, and Bank of America, N.A. and dated on or about the date on which these Second Amended and Restated Articles of Incorporation were filed with the Secretary of State of Georgia.

"Loan Closing Date" shall mean the closing date of the transactions contemplated by the Credit Agreement and the Loan Agreement.

"Market Price" shall mean with respect to Series A Common Stock, as of any date specified herein, the amount per share equal to (i) the average sale price of the last sale price of shares of Series A Common Stock, regular way, or of shares of such stock (or equivalent equity interests) for the immediately preceding twenty (20) Business Days or, if no such sale takes place on any such date, the average of the closing bid and asked prices thereof on such date, in each case as officially reported on the principal national securities exchange on which the same are then listed or admitted to trading; or (ii) if no shares of Series A Common Stock are then listed or admitted to trading on any national securities exchange, the average sale price of the last sale price of shares of Series A Common Stock, regular way, for the immediately preceding twenty (20) Business Days; or, if no such sale takes place on any such date, the average of the reported closing bid and asked prices thereof on such date, in each case as quoted in the Nasdaq National Market, as published by the National Quotation Bureau, Incorporated or any similar successor organization; and, in either case, as reported by any member firm of the New York Stock Exchange selected by the Corporation; or (iii) if no shares of Series A Common Stock are then listed or admitted to trading on any national securities exchange or quoted or published in the over-the-counter market, the higher of (x) the book value thereof as determined by any firm of independent certified public accountants of recognized national standing selected by the Board of Directors of the Corporation, as of the last day of any month ending within sixty (60) days preceding the date as of which the determination is to be made or (y) the Fair Value thereof; provided, that all determinations of the Market Price shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during such period.

"Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Additional Shares of Series A Common Stock or Convertible Securities.

"Original Issue Date" with respect to each of the Series B Common Stock and the Series C Common Stock shall mean the date on which shares of such series are first actually issued by the Corporation pursuant to exercise of any Warrants.

"Required Holders" shall mean the holders of at least 66-2/3% of all the shares of Series B Common Stock and Series C Common Stock at the time outstanding, determined on the basis of the number of shares of Series A Common Stock into which such shares could be converted (assuming for this purpose that all conditions for conversion have been satisfied, whether or not such is actually the case).

"Sale or Merger" shall mean any of the following:

(i) the merger, reorganization or consolidation of the Corporation or such subsidiary or subsidiaries of the Corporation the assets of which constitute all or substantially all the assets of the business of the Corporation and its subsidiaries taken as a whole into or with another corporation in which the shareholders of the Corporation or such subsidiaries immediately preceding such merger, reorganization or consolidation (solely by virtue of their shares or other securities of the Corporation or such subsidiaries) shall own fewer than fifty percent (50%) of the voting securities of the surviving corporation;

(ii) the sale, transfer or lease (but not including a transfer or lease by pledge or mortgage to a bona fide lender), whether in a single transaction or pursuant to a series of related transactions, of all or substantially all the assets of the Corporation, whether pursuant to a single transaction or a series of related transactions or plan (which assets shall include for these purposes fifty percent [50%] or more of the outstanding voting interests of such of the Corporation's subsidiaries the assets of which constitute all or substantially all the assets of the Corporation and its subsidiaries taken as a whole);

(iii) the sale, transfer or lease (but not including a transfer or lease by pledge or mortgage to a bona fide lender), whether in a single transaction or pursuant to a series of related transactions, of all or substantially all the assets of such of the Corporation's subsidiaries the assets of which constitute all or substantially all of the assets of the Corporation and such subsidiaries taken as a whole; or

(iv) the sale or transfer, whether in a single transaction or pursuant to a series of related transactions, of securities of the Corporation such that all holders of securities of the Corporation that are entitled to vote by virtue of holding such securities with respect to matters generally that are voted on by shareholders of the Corporation (and not any matter requiring an additional series or other special vote) (collectively, the "Corporation's Voting Power") immediately prior to such transaction or series of related transactions do not hold after such transaction such securities of the Corporation that constitute more than a majority of the Corporation's Voting Power.

"Series A Common Stock Equivalents" shall mean securities or rights convertible into or entitling the holder thereof to purchase or receive shares of Series A Common Stock.

"Warrants" shall mean those certain Series B Common Stock Purchase Warrants and that certain Series C Common Stock Purchase Warrant (as the same may be divided or combined in accordance with their terms) of even date therewith issued pursuant to the Loan Agreement.

(c) Series A Common Stock. The following is a statement of the preferences, limitations and relative rights in respect of the Series A Common Stock.

(i) Voting Rights. With respect to all such matters upon which shareholders are entitled to vote or give consent, each holder of Series A Common Stock shall be entitled to one (1) vote (in person or by proxy) for each share of Series A Common Stock held by such holder on the record date for the determination of shareholders entitled to vote.

(ii) Dividends. Subject to the provisions of applicable law, the holders of shares of Series A Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of the assets of the Corporation legally available therefor, dividends or other distributions, whether payable in cash, property or securities of the Corporation.

(iii) Liquidation. In the event of a Liquidation or other similar event, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the assets of the Corporation shall be distributed ratably to the holders of Series A Common Stock in proportion to the number of shares held by them.

(d) Series B Common Stock and Series C Common Stock. The following is a statement of the designations and preferences, limitations and relative rights in respect of each of the Series B Common Stock and the Series C Common Stock.

(i) Rank. Each of the Series B Common Stock and the Series C Common Stock shall, with respect to dividend rights and rights on Liquidation, rank pari passu with the Series A Common Stock on the basis of the number of shares of Series A Common Stock that each share of Series B Common Stock or Series C Common Stock could be converted in accordance with Article 5(d)(v) hereof.

(ii) Voting Rights. Except as otherwise provided in Article 5(d)(xvii) hereof or as otherwise provided by law, the holders of Series B Common Stock and of Series C Common Stock shall have no voting rights.

(iii) Dividends. In the event that any dividends are declared or paid on the Series A Common Stock (other than dividends paid in shares of additional Series A Common Stock or Series A Common Equivalents that are subject to Article 5[d][x]), the holder of each share of Series B Common Stock and of Series C Common Stock shall be entitled to receive like dividends on the basis of the number of shares of Series A Common Stock into which such share of Series B Common Stock or Series C Common Stock, as the case may be, could be converted in accordance with Article 5(d)(v) hereof, assuming for such purposes that all conditions for conversion have been satisfied, whether or not such is actually the case.

(iv) Liquidation. In the event of a Liquidation or other similar event, each holder of a share of Series B Common Stock or Series C Common Stock shall be entitled to receive a share of the proceeds thereof identical to those received by the holders of the

Series A Common Stock on the basis of the number of shares of Series A Common Stock into which a share of Series B Common Stock or Series C Common Stock could be converted in accordance with Article 5(d)(v) hereof, assuming for such purpose that all conditions for conversion have been satisfied, whether or not such is actually the case.

(v) Conversion Price and Rate.

(A) Subject to and in compliance with the provisions of this Article 5(d)(v), shares of Series B Common Stock and of Series C Common Stock may, at the option of the holder, be converted after the occurrence of one of the events listed below with respect to a particular series into fully paid and nonassessable shares of Series A Common Stock at the rate (the "Conversion Rate" of such series) of one share of Series B Common Stock or Series C Common Stock, as the case may be, to the number of shares of Series A Common Stock that equals the quotient obtained by dividing the Invested Amount of the series in question by the Conversion Price of such series (defined hereinafter). Thus, the number of shares of Series A Common Stock to which a holder of Series B Common Stock or Series C Common Stock shall be entitled upon any conversion provided for in this Article 5(d)(v) shall be the product obtained by multiplying the Conversion Rate of such series by the number of shares of such series being converted. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the surrender of the shares of the series to be converted in accordance with

the procedures described in this Article 5(d)(v)(B). The "Conversion Price" of each of the Series B Common Stock and the Series C Common Stock shall be equal to the Invested Amount thereof, except as otherwise adjusted as provided hereunder in Article 5(d)(vi) through (xiv). The initial Conversion Rate of each of the Series B Common Stock and the Series C Common Stock shall be one share of such series for 1.43036586 shares of Series A Common Stock.

(1) Each share of Series B Common Stock may be converted at any time at the option of the holder thereof into shares of Series A Common Stock following the transfer of such share of Series B Common Stock by the person to which the Corporation originally issued such share (the "Original Series B Holder") to a person not an Affiliate of the Original Series B Holder.

(2) The shares of Series C Common Stock may be converted at any time at the option of the holders thereof into shares of Series A Common Stock following the earliest to occur of the following events:

(a) with respect to a particular share of Series C Common Stock, the transfer of such share of Series C Common Stock by the person to which the Corporation originally issued such share (the "Original Series C Holder") to a person not an Affiliate of the Original Series C Holder;

(b) with respect to all shares of Series C Common Stock then outstanding, the closing of a Sale or Merger of the Corporation;

(c) with respect to all shares of Series C Common Stock then outstanding, the transfer (whether in one or a series of transactions over time) after the Loan Closing Date by the individuals constituting the Corporation's Management Group (defined for this purpose to mean the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and each Vice President) of greater than fifty percent (50%) of the Series A Common Stock represented on an as-converted or as-exercised basis by the shares of Series A Common Stock and Series A Common Stock Equivalents held in the aggregate by the Management Group as of the Loan Closing Date; provided, however, that such transfer shall not include any pledge of shares of Series A Common Stock made pursuant to a bona fide loan transaction that creates a mere security interest or any transfer to a trust for the benefit of a member of Management Group or for the benefit of an ancestor, descendant or spouse of such member, provided also that such member retains control over voting such shares;

(d) with respect to all shares of Series C Common Stock then outstanding, the transfer after the Loan Closing Date by those persons who constitute, as of the Loan Closing Date, the three largest shareholders

of the Corporation, in one or a series of transactions over time, of greater than seventy-five percent (75%) of the Series A Common Stock represented on an as-converted or as-exercised basis by the shares of Series A Common Stock and Series A Common Stock Equivalents outstanding on the Loan Closing Date;

(e) with respect to all shares of Series C Common Stock then outstanding, the occurrence of an Event of Default (as defined in the Loan Agreement or the Credit Agreement) by the Corporation following the Loan Closing Date consisting of the nonpayment of principal, interest or any other amount due and owing to The Prudential Insurance Company of America or its successors or assigns under either the Credit Agreement or the Loan Agreement;

(f) with respect to all shares of Series C Common Stock then outstanding, the failure by the Corporation to pay an aggregate of $250,000 in indebtedness, whether principal or interest, in addition to that described in clause (e) above;

(g) with respect to all shares of Series C Common Stock then outstanding, the resignation, removal or death at one time or over time of one third (1/3) of the members of the Board of Directors and the election of substitutes therefor at any time following the Loan Closing Date; and

(h) the breach following the Loan Closing Date of any of the financial covenants made by the Corporation in the Loan Agreement or the Credit Agreement.

In the event that any of the events described in this Article (5)(d)(A)(2) shall occur prior to the Original Issue Date of the Series C Common Stock, all the holders of shares of Series C Common Stock shall be entitled to exercise the conversion rights provided in this Article 5(d)(v) at any time following issuance of such shares.

(B) Mechanics of Conversion. Notwithstanding Article 5(d)(v)(A), the Corporation shall not be obligated to issue certificates evidencing the shares of Series A Common Stock issuable upon conversion unless the certificates evidencing the shares of Series B Common Stock or Series C Common Stock being converted are either delivered to the Corporation or its transfer agent as provided below, or any holder of any such certificates notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Upon the occurrence of such conversion, the holders of Series B Common Stock or Series C Common Stock subject thereto shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the same, and shall give written notice to the Corporation at such office of the name or names in which such holder wishes the certificate or certificates for shares of Series A Common Stock to be issued, if different from the name shown on the books and records of the Corporation. The Corporation shall, as soon as practicable thereafter and in no event later than twenty (20) days after the surrender of the certificates of the shares of the series

sought to be converted, issue and deliver at such office to the holder of such shares, or to the nominee or nominees of such holder as provided in such notice, a certificate or certificates for the number of shares of Series A Common Stock into which the shares of Series B Common Stock or Series C Common Stock (as the case may be) were convertible on the date on which such conversion was effective to which such holder shall be entitled as provided in such sections. The delivery of the new certificates may be conditioned on the person or persons to which the holder has requested delivery making such written representations as may reasonably be required by the Corporation to the effect that the shares to be received upon conversion are not being acquired and will not be transferred in any way that might violate the then applicable securities laws. The person or persons entitled to receive the shares of Series A Common Stock issuable upon a conversion pursuant to Article 5(d)(v)(A) shall be treated for all purposes as the record holder

or holders of such shares of Series A Common Stock as of the effective date of conversion specified in such subsection.

(vi) Adjustment for Additional Shares of Series A Common Stock. In case the Corporation, at any time or from time to time after the Original Issue Date of the Series B Common Stock and of the Series C Common Stock, respectively, shall issue or sell Additional Shares of Series A Common Stock, including Additional Shares of Common Stock deemed to be issued pursuant to Article 5(d)(viii) and 5(d)(ix), without consideration or for a consideration per share (determined pursuant to Article 5[d][ix]), less than the Market Price of such series in effect on the date of and immediately prior to such issue or sale, then, and in each such case, subject to Article 5(d)(xiv), the Conversion Price of such series shall be reduced, concurrently with such issue or sale, to a price determined by multiplying the Conversion Price of such series then in effect by a fraction,

(A) the numerator of which shall be equal to (i) the number of shares of Series A Common Stock outstanding immediately prior to such issue or sale plus (ii) the number of shares of Series A Common Stock which the aggregate consideration received by the Corporation for the total number of such Additional Shares of Series A Common Stock so issued or sold would purchase at the greater of the Market Price then in effect or the Conversion Price of the Series B Common Stock or the Series C Common Stock then in effect; and

(B) the denominator of which shall be equal to the number of shares of Series A Common Stock outstanding immediately after such issue or sale of Additional Shares of Series A Common Stock,

provided that, for the purposes of this Article 5(d)(vi), (x) immediately after any Additional Shares of Series A Common Stock are deemed to have been issued pursuant to Article 5(d)(viii) or 5(d)(ix), such Additional Shares of Series A Common Stock shall be deemed to be outstanding, and (y) treasury shares shall not be deemed to be outstanding. Any adjustment to the Conversion Price of the Series B Common Stock or the Series C Common Stock shall cause simultaneously a corresponding adjustment to the Conversion Rate of such series.

(vii) Extraordinary Dividends and Distributions. In case the Corporation at any time or from time to time after the Original Issue Date of the Series B Common Stock or the Series C Common Stock, as the case may be, shall declare, order, pay or make a dividend or other distribution (including, without limitation, any distribution of other or additional stock or other securities or property or Options by way of dividend or spin-off, reclassification, recapitalization or similar corporate rearrangement and any redemption or acquisition of any such stock or Options on the Series A Common Stock) other than a dividend described in Article 5(d)(iii) or Article 5(d)(x) or payable in Additional Shares of Series A Common Stock or in Options for Common

Stock, then and in each such event provision shall be made so that the holders of Series B Common Stock or Series C Common Stock shall receive upon conversion thereof, in addition to the number of shares of Series A Common Stock receivable thereupon, the amount of securities and other property of the Corporation which they would have received had

their shares of Series B Common Stock or Series C Common Stock been converted into Series A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities and other property receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under Article 5(d)(vi) through (xiv) with respect to the rights of the holders of the Series B Common Stock and the Series C Common Stock.

(viii) Treatment of Options and Convertible Securities. In case the Corporation, at any time or from time to time after the Original Issue Date of the Series B Common Stock or the Series C Common Stock, as the case may be, shall issue, sell, grant or assume, or shall fix a record date for the determination of holders of any series of securities entitled to receive, any Options or Convertible Securities, whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable, then, and in each such case, the maximum number of Additional Shares of Series A Common Stock (as set forth in the instrument relating thereto, without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities, issuable upon the conversion or exchange of such Convertible Securities (or the exercise of such Options for Convertible Securities and subsequent conversion or exchange of the Convertible Securities issued), shall be deemed to be Additional Shares of Series A Common Stock issued as of the time of such issue, sale, grant or assumption or, in case such a record date shall have been fixed, as of the close of business on such record date; provided that such Additional Shares of Series A Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Article 5(d)[ix]) of such shares would be less than the Market Price of the Series B Common Stock or the Series C Common Stock, as the case may be, in effect, in each case, on the date of and immediately prior to such issue, sale, grant or assumption or immediately prior to the close of business on such record date or, if the Series A Common Stock trades on an ex-dividend basis, on the date prior to the commencement of ex-dividend trading, as the case may be; provided, further, that in any such case in which Additional Shares of Common Stock are deemed to be issued,

(A) if an adjustment of the Conversion Price (or the corresponding Conversion Rate) of either the Series B Common Stock or the Series C Common Stock shall be made upon the fixing of a record date as referred to in the first sentence of this Article 5(d)(viii), no further adjustment of such Conversion Price (or the corresponding Conversion Rate) shall be made as a result of the subsequent issue or sale of any Options or Convertible Securities for the purpose of which such record date was set;

(B) no further adjustment of such Conversion Price (or the corresponding Conversion Rate) shall be made upon the subsequent issue or sale of Additional Shares of Common Stock or Convertible Securities upon the exercise of such Options or the conversion or exchange of such Convertible Securities;

(C) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Corporation, or change in the number of Additional Shares of Series A Common Stock issuable, upon the exercise, conversion or exchange thereof (by change of rate or

otherwise), such Conversion Price (and corresponding Conversion Rate) computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such change becoming effective, be recomputed to reflect such change insofar as it affects such Options, or the rights of conversion or exchange under such Convertible Securities, which are outstanding at such time;

(D) upon the expiration of any such Options or of the rights of conversion or exchange under any such Convertible Securities that shall not have been exercised (or upon purchase by the Corporation and cancellation or retirement of any such Options that shall not have been exercised or of any such Convertible Securities the rights of conversion or exchange under which shall not have been exercised), such Conversion Price (and corresponding Conversion Rate) computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration (or such cancellation or retirement, as the case may be), be recomputed as if:

(1) in the case of Options for Series A Common Stock or in the case of Convertible Securities, the only Additional Shares of Series A Common Stock issued or sold (or deemed issued or sold) were the Additional Shares of Series A Common Stock, if any, actually issued or sold upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was (a) an amount equal to (i) the consideration actually received by the Corporation for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (ii) the consideration actually received by the Corporation upon such exercise, minus (iii) the consideration paid by the Corporation for any purchase of such Options which were not exercised, or (b) an amount equal to (i) the consideration actually received by the Corporation for the issue, sale, grant or assumption of all such Convertible Securities which were actually converted or exchanged, plus (ii) the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, minus (iii) the excess, if any, of the consideration paid by the Corporation for any purchase of such Convertible Securities, the rights of conversion or exchange under which were not exercised, over an amount that would be equal to the Fair Value of the Convertible Securities so purchased if such Convertible Securities were not convertible into or exchangeable for Additional Shares of Series A Common Stock; and

(2) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued or sold upon the exercise of such Options were issued at the time of the issue, sale, grant or assumption of such Options, and the consideration received by the Corporation for the Additional Shares of Series A Common Stock deemed to have then been issued was an amount equal to (a) the consideration actually received by the Corporation for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (b) the consideration deemed to have been received by the Corporation (pursuant to Article 5[d][ix]) upon the issue or sale of the Convertible Securities with respect to which such Options were actually exercised, minus (c) the consideration paid by the Corporation for any purchase of such Options which were not exercised;

(E) no recomputation pursuant to subsection (C) or (D) above shall have the effect of increasing such Conversion Price then in effect by an amount in excess of the amount of the adjustment thereof originally made in respect of the issue, sale, grant or assumption of such Options or Convertible Securities; and

(F) no Additional Shares of Series A Common Stock shall be deemed to have been issued merely by virtue of an adjustment to the Conversion Price (and corresponding Conversion Rate) in accordance with this Article 5(d)(vi) through (viii).

(ix) Computation of Consideration. For the purposes of Article 5(d)(vi) through (viii):

(A) The consideration for the issue or sale of any Additional Shares of Series A Common Stock or for the issue, sale, grant or assumption of any Options or Convertible Securities, irrespective of the accounting treatment of such consideration,

(1) insofar as it consists of cash, shall be computed as the amount of cash received by the Corporation, and insofar as it consists of securities or other property, shall be computed as of the date immediately preceding such issue, sale, grant or assumption as the Fair Value of such consideration (or, if such consideration is received for the issue or sale of Additional Shares of Series A Common Stock and the Market Price of such securities is less than the Fair Value of such consideration, then such consideration shall be valued at the Market Price of such Additional Shares of Series A Common Stock), in each case without deducting any expenses paid or incurred by the Corporation, any commissions or compensation paid or concessions or discounts allowed to underwriters, dealers or others performing similar services or any accrued interest or dividends in connection with such issue or sale, and

(2) in case Additional Shares of Series A Common Stock are issued or sold or Options or Convertible Securities are issued, sold,

granted or assumed together with other stock or securities or other assets of the Corporation for a consideration that covers both, shall be the proportion of such consideration so received, computed as provided in clause (i) above, allocable to such Additional Shares of Series A Common Stock or Options or Convertible Securities, as the case may be, all as determined in good faith by the Board of Directors or the Corporation.

(B) All Additional Shares of Series A Common Stock, Options or Convertible Securities issued in payment of any dividend or other distribution on any class or series of stock of the Corporation and all Additional Shares of Series A Common Stock issued to effect a subdivision of the outstanding shares of Series A Common Stock into a greater number of shares of Series A Common Stock (by reclassification or otherwise than by payment of a dividend in Series A Common Stock) shall be deemed to have been issued without consideration.

(C) Additional Shares of Series A Common Stock deemed to have been issued for consideration pursuant to Article 5(d)(viii), relating to Options and Convertible Securities, shall be deemed to have been issued for a consideration per share determined by dividing

(1) the total amount, if any, received and receivable by the Corporation as consideration for the issue, sale, grant or assumption of the Options or Convertible Securities in question, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise in full of such Options or the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, in each case computing such consideration as

provided in the foregoing subsection (A);

by

(2) the maximum number of shares of Series A Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(x) Treatment of Stock Dividends, Stock Splits and the Like. In case the Corporation, at any time or from time to time after the Original Issue Date of the Series B Common Stock or the Series C Common Stock, as the case may be, shall declare or pay any dividend or other distribution on any class or series of securities of the Corporation payable in shares of Series A Common Stock, or shall effect a subdivision of the outstanding shares of Series A Common Stock into a greater number of shares of Series A Common Stock (by reclassification or otherwise than by payment of a dividend in

Series A Common Stock), then, and in each such case, Additional Shares of Series A Common Stock shall be deemed to have been issued (A) in the case of any such dividend or other distribution, immediately after the close of business on the record date for the determination of holders of any class or series of securities entitled to receive such dividend or other distribution (or if no such record is taken, then immediately prior to such payment or other distribution), or (B) in the case of any such subdivision, at the close of business on the day immediately prior to the day upon which such corporate action becomes effective.

(xi) Adjustments for Combinations and the Like. In case at any time or from time to time after the Original Issue Date of the Series B Common Stock or the Series C Common Stock, the outstanding shares of Series A Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Series A Common Stock, the Conversion Price of the Series B Common Stock or the Series C Common Stock, as applicable, in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(xii) Adjustments for Reclassification, Exchange and Substitution. If the Series A Common Stock issuable upon conversion of the Series B Common Stock or the Series C Common Stock shall be changed into the same or a different number of shares of any other class or series of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), the Conversion Price (and the corresponding Conversion Rate) then in effect with respect to the Series B Common Stock or the Series C Common Stock, as the case may be, shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that the Series B Common Stock and the Series C Common Stock shall be convertible into, in lieu of the number of shares of Series A Common Stock that the holders would otherwise have been entitled to receive, that number of shares of such other class or series of stock equal to the number of shares of Series A Common Stock issuable upon conversion of the Series B Common Stock or the Series C Common Stock (adjusted for any combinations, consolidations, stock splits, or stock distributions or dividends with respect to such shares) immediately prior to such capital reorganization or reclassification as would have been subject to receipt by the holders upon conversion of such series immediately before that change.

(xiii) Reorganizations, Mergers, Consolidations and Sales of Assets. If at any time or from time to time, there is a capital reorganization of the Series A Common Stock (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Article 5[d]), then, as a part of such capital reorganization, provision shall be made so that the holders of each of the Series B Common Stock and the Series C Common Stock shall thereafter be entitled to receive upon conversion of shares of such series the number of shares of stock or other securities or property of the Corporation to which a holder of the number of shares of Series

A Common Stock deliverable upon conversion of the applicable series would have been entitled on such capital reorganization, subject to adjustment in respect of such stock or securities by the terms thereof. In any such case, appropriate adjustment shall be made in

applying the provisions of this Article 5(d) with respect to the rights of the holders of the Series B Common Stock and the Series C Common Stock after the capital reorganization to the end that the provisions of Article 5(d)(vi) through (xii) (including adjustment of the Conversion Price of such series then in effect and the number of shares issuable upon conversion of the Series B Common Stock and the Series C Common Stock, respectively) shall be applicable after that event and be as nearly equivalent as practicable.

(xiv) Minimum Adjustment of Exercise Price. If the amount of any adjustment of the Conversion Price of the Series B Common Stock or the Series C Common Stock required hereunder would be less than 1% of such Conversion Price in effect at the time such adjustment is otherwise so required to be made, such amount shall be carried forward and adjustment with respect thereto made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall equal in the aggregate at least 1% of such Conversion Price.

(xv) Notice of Adjustment. Upon the occurrence of any event requiring an adjustment of the Conversion Price of the Series B Common Stock or the Series C Common Stock, then and in each such case the Corporation shall promptly deliver to each holder of such shares of such stock an officer's certificate stating the applicable Conversion Price resulting from such adjustment and the increase or decrease, if any, in the number of shares of Series A Common Stock issuable upon conversion thereof, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Within ninety (90) days after the end of each fiscal year in which any such adjustment shall have occurred, or within thirty (30) days after any request therefor by any holder of Series B Common Stock or Series C Common Stock stating that such holder contemplates the conversion of such stock, the Corporation will obtain and deliver to such holder the opinion of its regular independent auditors or another firm of independent public accountants of recognized national standing selected by the Board of Directors, which opinion shall confirm the statements in the most recent officer's certificate delivered under this Article 5(d)(xv). It is understood and agreed that the independent public accountants rendering any such opinion shall be entitled expressly to assume in such opinion the accuracy of any determination of fair value made by the Board of Directors pursuant to Article 5(d)(ix).

(xvi) Other Notices. In case at any time:

(A) the Corporation shall declare to the holders of Series A Common Stock any dividend in cash, whether or not a regular cash dividend;

(B) the Corporation shall declare or pay any dividend upon Series A Common Stock payable in stock or make any special dividend or other distribution (other than cash dividends) to the holders of Series A Common Stock;

(C) the Corporation shall offer for subscription pro rata to the holders of Series A Common Stock any additional shares of stock of any class or series or other rights;

(D) there shall be any capital reorganization or reclassification of the capital stock of the Corporation or Sale or Merger;

(E) there shall be a voluntary or involuntary Liquidation or any partial liquidation of the Corporation or distribution to holders of Series A Common Stock;

(F) there shall be made any tender offer for any shares of capital stock of the Corporation; or

(G) the Series A Common Stock shall cease to be or shall be suspended from being a publicly traded security, (i) listed on the New York Stock Exchange or the American Stock Exchange, (ii) quoted by the Nasdaq Market or any successor thereto or comparable system, or (iii) quoted or published in the over-the-counter market;

then, in any one or more of such cases, the Corporation shall give to each holder of shares of Series B Common Stock or Series C Common Stock (1) at least fifteen (15) days prior to any event referred to in subsection (A) or (B) above, at least thirty (30) days prior to any event referred to in subsection (C), (D) or (E) above, and within five (5) days after it has knowledge that any of the events specified in subsections (F) and (G) is imminent, written notice of the date on which the books of the Corporation shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, Sale or Merger, Liquidation, or partial liquidation or the date by which shareholders must tender shares in any tender offer and (2) in the case of any such reorganization, reclassification, consolidation, Sale or Merger, Liquidation, partial liquidation or tender offer known to the Corporation, at least thirty (30) days' prior written notice of the date (or, if not then known, a reasonable approximation thereof by the Corporation) when the same shall take place. Such notice in accordance with the foregoing clause (1) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Series A Common Stock shall be entitled thereto, and such notice in accordance with the foregoing clause (2) shall also specify the date on which the holders of Series A Common Stock shall be entitled to exchange their Series A Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, Sale or Merger, Liquidation, partial liquidation or tender offer, as the case may be. Such notice shall also state that the action in question or the record date is subject to the effectiveness of a registration statement under the Securities Act of 1933, as amended, or to a favorable vote of security holders, if either is required.

(xvii) Prohibition of Certain Actions. In addition to any other rights provided by law, at any time when shares of Series B Common Stock or Series C Common Stock are outstanding, except where the vote or written consent of the holders of a greater number of shares of the Corporation is required by law, and in addition to any other vote required by law, without the consent of the holders of at least two-thirds (66 2/3%) of the then outstanding shares of Series B Common Stock and Series C Common Stock, given in writing or by a vote in a meeting, consenting or voting (as the case may be) separately as a single group, the Corporation will not, by amendment of the Articles of Incorporation

or by-laws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by the Corporation under this Article 5(d), but will at all times in good faith assist in the carrying out of all the provisions of this Article 5(d) and in the taking of all such action as may reasonably be requested by any holder of shares of Series B Common Stock or Series C Common Stock in order to protect the privileges of each holder against dilution or other impairment, consistent with the tenor and purpose of this Article 5(d). Without limiting the generality of the foregoing, the Corporation (A) will not increase the par value of any shares of Series A Common Stock receivable upon the conversion of shares of Series B Common Stock or Series C Common Stock above the applicable Conversion Price then in effect, (B) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Series A Common Stock, free and clear of any liens, charges or encumbrances upon the conversion of shares of Series B Common Stock or Series C Common

Stock from time to time outstanding, (C) will not take any action which results in any adjustment of the applicable Conversion Price if the total number of shares of Series A Common Stock issuable after the action upon the conversion of all outstanding shares of Series B Common Stock and Series C Common Stock would exceed the total number of shares of Series A Common Stock then authorized by these Articles of Incorporation and available for the purpose of issue upon such conversion, (D) will not issue any capital stock of any class or series which has the right to more than one vote per share or any capital stock of any class or series which is preferred as to dividends or as to the distribution of assets upon voluntary or involuntary dissolution, liquidation or winding-up, unless the rights of the holders thereof shall be limited to a fixed sum or percentage (or floating rate related to market yields) of par value or stated value in respect of participation in dividends and a fixed sum or percentage of par value or stated value in any such distribution of assets, and (E) will not otherwise amend, alter or change the designations or the powers, preferences, rights, privileges or restrictions of the Series B Common Stock or the Series C Common Stock materially or adversely.

(xviii) Stock to be Reserved. The Corporation will at all times reserve and keep available out of its authorized but unissued Series A Common Stock, solely for the purpose of issue upon the conversion of all outstanding shares of Series B Common Stock and Series C Common Stock, such number of shares of Series A Common Stock as shall then be issuable upon the conversion of all outstanding shares of Series B Common Stock and Series C Common Stock, and the Corporation will maintain at all times all other rights and privileges sufficient to enable it to fulfill all its obligations hereunder. The Corporation covenants that all shares of Series A Common Stock that shall be so issuable shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, free from preemptive or similar rights on the part of the holders of any shares of capital stock or securities of the Corporation or any other person, and free from all taxes, liens, charges and encumbrances with respect to the issue thereof. The Corporation will take all such action as may be necessary to assure that such shares of Series A Common Stock may be so issued without violation of any applicable law or regulation, or of any applicable requirements of the National Association of Securities

Dealers, Inc. and of any domestic securities exchange upon which the Series A Common Stock may be listed.

(xix) Effect on Outstanding Common Stock. The redesignation of the Corporation's outstanding shares of Common Stock as "Series A Common Stock" effected by the adoption and filing of this Second Amended and Restated Articles of Incorporation shall be automatic and shall not require the surrender by any shareholder of any certificates representing the same that bear the former designation.

6.

No holder of any of the shares of stock of the Corporation, whether now or hereafter authorized or issued, shall have any pre-emptive rights or preference rights, or be entitled, as of right, to purchase or subscribe for (a) any unissued stock of any class, or (b) any additional stock of any class to be issued by reason of any increase in the authorized capital stock of the Corporation of any class, or (c) any warrants, options or rights to purchase or subscribe for shares of stock of the Corporation of any class, or to purchase or subscribe for any convertible or exchangeable obligations, whether now or hereafter authorized or whether unissued or issued and thereafter acquired by the Corporation. Any such stock or other securities herein enumerated may be issued and disposed of pursuant to resolutions of the Board of Directors at such prices and upon such terms as may be deemed advisable to the Board of Directors in the exercise of its discretion.

7.

(a) A director of the Corporation shall not be personally liable

to the Corporation or its shareholders for monetary damages for breach of duty of care or other duty as a director, except for liability (i) for any appropriation, in violation of his duties, of any business opportunity of the Corporation; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) of the types set forth in Section 14-2-154 of the Georgia Business Corporation Code; or (iv) for any transaction from which the director derived an improper personal benefit. The provisions of this article shall not apply with respect to acts or omissions occurring prior to the effective date of this article.

(b) Any repeal or modification of the provisions of this article by the shareholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation with respect to any act or omission occurring prior to the effective date of such repeal or modification.

(c) If the Georgia Business Corporation Code hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on liability provided herein, shall be limited to the fullest extent permitted by the amended Georgia Business Corporation Code. Specifically, and not in limitation of the foregoing sentence, in the event that the Georgia Business Corporation Code is amended to permit the elimination of the reference to a lack of "good faith" in clause (ii) of paragraph (a) of Article Seven above, then, effective immediately upon the effective date, if any, of such amendment, clause (ii) of paragraph (a) of this Article 7 shall be deemed to read

exactly as the corresponding provision of the Georgia Business Corporation Code, as so amended.

(d) In the event that any of the provisions of this article (including any provision within a single sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions are severable and shall remain enforceable to the fullest extent permitted by law.

8.

(a) Any director, or the entire Board of Directors, may be removed from office at any time, with or without cause, but only by the affirmative vote of the holders of at least seventy-five percent of the outstanding shares of capital stock of the Corporation entitled to vote in the election of directors at a meeting called for that purpose.

(b) Vacancies on the Board of Directors shall be filled as follows:

(i) any vacancy resulting from removal of a director from office by the shareholders shall be filled by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Corporation entitled to vote thereon; and

(ii) any vacancy resulting from any other event may be filled by a vote of the majority of the directors then in office, though less than a quorum, or by the sole remaining director or, if there are no directors in office, by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Corporation entitled to vote thereon.

(c) Notwithstanding any other provision of these articles or the by-laws of the Corporation (and in addition to any other vote that may be specified by law, these articles or the by-laws), the provisions of this article may not be repealed or amended in any respect, nor may any provision of these articles or the by-laws be adopted inconsistent with this article, unless such action is approved by the affirmative vote of the holders of not less than seventy-five percent of the outstanding shares of capital stock of the Corporation entitled to vote in the election of directors.

9.

Subject to the provisions of Articles 8 and 10 hereof, the Corporation shall have the power to amend its articles of incorporation upon the affirmative vote of the holders of two-thirds of the Corporation's outstanding Common Stock; and all rights conferred upon stockholders, directors and officers herein are granted subject to this reservation.

10.

(a) Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Board of Directors or the Chairman of the Board, and shall be called by the Chairman of the Board or the Secretary at the request in writing

of the holders of not less than seventy-five percent of the outstanding shares of capital stock of the Corporation entitled to vote in the election of directors.

(b) Nominations by shareholders of persons for election by the shareholders to the Board of Directors of the Corporation may be made at a meeting of shareholders at which directors are to be elected only (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the Corporation entitled to vote in the election of directors at the meeting who gives written notice of such nomination to the Secretary of the Corporation in accordance with this paragraph (b). Such notice shall be delivered or mailed to and received at the principal executive offices of the Corporation not more than 90 days nor less than 60 days prior to the date of an annual meeting; and, in the case of a special meeting, not later than the close of business on the 15th day following the day on which notice of the date of the special meeting was mailed to the shareholders. Such notice shall set forth (i) as to each person whom the shareholder giving notice proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations or proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and shall include each such person's written consent to serve as a director if elected; and (ii) as to the shareholder giving the notice (x) the name and address of such shareholder as they appear on the Corporation's books, and (y) the series and number of shares of the Corporation's capital stock that are beneficially owned by such shareholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be eligible for election by the shareholders as a director of the Corporation unless nominated in accordance with the provisions of this paragraph (b). The officer of the Corporation or other person presiding at the meeting shall, if the facts so warrant, determine and declare to the meeting that a nomination was not made in accordance with such provisions and, if he shall so determine and declare, the nomination shall be disregarded.

(c) At any meeting of the shareholders, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the Corporation who is entitled to vote with respect thereto and who gives written notice of such business to the Secretary of the Corporation in accordance with this paragraph (c). Such notice must be delivered or mailed to and received at the principal executive offices of the Corporation not more than 90 days nor less than 60 days prior to the date of an annual meeting and, in the case of a special meeting, not later than the close of business on the 15th day following the day on which notice of the date of the special meeting was mailed to the shareholders. Such notice shall set forth as to each matter such shareholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business, (iii) the series and number of shares of the Corporation's capital stock that are beneficially owned by such shareholder, and (iv) any material interest of such shareholder in such business. Notwithstanding anything in the Corporation's

by-laws to the contrary, no business shall be brought before or conducted at a meeting except in accordance with the provisions of this paragraph.

(d) The officer of the Corporation or other person presiding at the meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with such provisions and, if he shall so determine and declare, such business shall not be transacted. Notwithstanding the provisions of this paragraph (d), if the Corporation is subject to Rule 14a-8 under the Securities Exchange Act of 1934, business consisting of a proposal properly included in the Corporation's proxy statement with respect to a meeting pursuant to such Rule may be transacted at a meeting.

(e) Notwithstanding any other provisions of these articles or the by-laws (and in addition to any other vote that may be specified by law, these articles or the by-laws), the provisions of this article may not be repealed or amended in any respect, nor may any provision of these articles or the by-laws be adopted inconsistent with this article, unless such action is approved by the affirmative vote of the holders of not less than seventy-five percent of the outstanding shares of capital stock of the Corporation entitled to vote in the election of directors.

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), is made and entered into as of July 23, 2001 by and among E. RANDALL CHESTNUT, a resident of the State of Georgia ("Employee"), and Crown Crafts, Inc., a Georgia corporation ("Employer").

WITNESSETH:

WHEREAS, Employer and Employee each deem it necessary and desirable, for their mutual protection, to execute a written document setting forth the terms and conditions of their employment relationship;

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. Employer hereby employs Employee to serve as President, Chief Executive Officer and Chairman of the Board 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 his full time and effort to his 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 be deemed to have commenced as of the date hereof and shall end on March 31, 2005 ("Initial Period") unless Employee dies before the end of the Initial Period, provided that the term of this Agreement shall after March 31, 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 his 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 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 he 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 is defined as a "trade secret" under Georgia law pursuant to the Georgia 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 his 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 date of the commencement of this Agreement 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.

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 his 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 his 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 him from any source by virtue of his 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 his 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 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 he is entitled within five (5) days of the date due;

(iv) 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;

(v) the taking of any action by the Employer that would materially adversely affect the physical conditions in or under which the Employee performs his 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 his employment duties;

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

(vii) 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

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

The Employee's right to terminate his employment pursuant to this Section 10.3 shall not be affected by his 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 the Employer's election without Cause or at the election of Employee for Good Reason, Employee shall be entitled to those benefits to which Employee would be entitled if a Change in Control would have occurred as set forth in Section 13 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.
1500 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attn: E. Randall Chestnut, President

with a copy to: Rogers & Hardin LLP
2700 Cain Tower
229 Peachtree Street
Atlanta, Georgia 30303

Attn: Steven E. Fox, Esquire

Employee: E. Randall Chestnut

1500 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328

with a copy to: Troutman Sanders LLP
600 Peachtree Street, NE
Suite 5200
Atlanta, Georgia 30308
Attn: Neal H. Ray, Esq.

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 he 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 his employment with the Employer and during the Restricted Period.

12.3 Employee agrees that he 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 his employment with the Employer and during the Restricted Period.

12.4 Employee agrees that he 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 his employment with the Employer or for a period

of two years thereafter. For purposes of this Section 12.4, "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.

The benefits provided in this Section 13 shall be payable to Employee if: (i) there shall have been a Change in Control of Employer, as set forth in this Section 13, and (ii) Employee is employed by Employer at such time.

13.1 "Change in Control" shall have the same meaning as set forth in Section 2.5 of the Severance Protection Agreement dated September 5, 1998 between the Employer and the Employee, 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.

13.2 If there occurs a Change in Control of Employer, Employee shall be entitled to the Compensation and Benefits set forth in Section 3 of the Severance Protection Agreement dated September 5, 1998 between Employer and Employee.

14. Miscellaneous.

14.1 This Agreement, together with Exhibits A, B, C 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.

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

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 enure 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.

14.7 Employer and Employee acknowledge that the Severance Protection Agreement dated September 5, 1998 between Employer and Employee shall remain in full force

and effect except for the references to Michael Bernstein contained in Section 2.7.1(i) and (viii) which are hereby mutually agreed to be deleted therefrom.

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

<TABLE>
<S> <C>
"Employee"

/s/ Robert A. Enholm /s/ E. Randall Chestnut (SEAL)
- ---------- ----------
Witness E. Randall Chestnut

ATTEST: "Employer"

CROWN CRAFTS, INC.

By: /s/ Robert A. Enholm /s/ Carl Texeter
---------- ----------
Robert A. Enholm , Secretary Vice President and Chief Financial Officer
- ---------- ----------

(CORPORATE SEAL)
</TABLE>

Exhibit A
to Employment Agreement By and Between
E. Randall Chestnut and
Crown Crafts, Inc., Inc.

Employee Compensation

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

BASE SALARY: $350,000 per year subject to annual increases as reviewed and approved by the Board of Directors (i).

LONG TERM INCENTIVES: Restricted Stock Grant for 420,000 shares of the Employer's Common Stock to be adjusted to maintain the Employee's ownership percentage upon exercise of warrants by Bank of America, N.A., The Prudential Insurance Company of America and Wachovia, N.A. and should Employee elect income tax treatment for such grant under Section 83(b) of the Internal Revenue Code, Employer to loan Employee 83(b) election costs to be repaid over three (3) year period by biweekly payroll deduction, interest free or such shorter period as mutually agreed by Employer and Employee; provided, however, that if such 420,000 shares are not granted (at no cost to Employee other than taxes) on or before the date of this Agreement, Employee may elect instead to receive a payment of $1,312,500, payable by Employer based on the Senior Management Compensation Strategy Report dated June 29, 2001 prepared by SCA Consulting which will be payable three years from the time when the stock should have been granted. This cash payment will vest 1/3 at the end of year one, 2/3 at the end of year two and be fully vested at the end of year three. In the event of Termination without Cause, this cash payment will vest 100% at the time of Termination and will become immediately payable.

BONUS: Payable each July, as follows for Fiscal Year 2002, and thereafter based on a performance matrix established against budgets and approved by the Employer's Board of Directors. See Exhibit B and Exhibit C attached hereto.

<TABLE>
<CAPTION>
Target Bonus

Salary % of Salary $ Amount 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
--- --- --- --- --- --- --- --- --- --- --- ---

<S> <C> <C> <C> <C> <C> <C> <C> <C> <C> <C> <C> <C> <C>
Randall

Chestnut $350,000 60% 210,000 21,000 42,000 63,000 84,000 105,000 126,000 147,000 168,000 189,000 210,000
</TABLE>

AUTO ALLOWANCE: Cost of automobile and all operating expenses.

INSURANCE: Employee's and his 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.

(i) If required to relocate to California, salary will be automatically increased by $50,000 effective upon relocation.

SCHEDULE 12

<TABLE>
<S> <C>
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
</TABLE>

EXHIBIT "B"

PROPOSED ANNUAL CASH PAY

THE PROPOSED ANNUAL BONUSES WILL BE DRIVEN BY EBITDA (see facing exhibit)

- - Cash bonuses will be awarded based on Corporate or division EBITDA

- At 90% of target EBITDA, the bonus is 5% of target maximum bonus

- Above 91% of EBITDA, each additional 0.10% of EBITDA results in incremental 1.0% of bonus

- - EBITDA targets for maximum bonuses are set higher than EBITDA levels shared with on April 20, 2001

- - In FY2002, CCIP bonuses are calculated independently of Pillow Buddies. CCIP and Buddies are combined for all years thereafter

- - Hamco and Burgundy are combined for purposes of calculating

- - In FY2002, Corporate level bonuses will be based on performance from transaction (August 2001) through March 2002, which includes 8 months of corporate expenses and post-close transition expenses

- Other business lines will be based on full fiscal year results without respect to corporate or transition expenses

EXHIBIT "C"

FY2002 BONUS STRUCTURE

	CCIP(3)	HAMCO/ BURGUNDY (4)	CHURCHILL	PB(3)	CORP.(5)	TOTAL
EBITDA - Bonus(1)	$6,553	$7,335	$637	$824	$8,209	$11,722
EBITDA - Lenders(2)	$5,974	$7,135	$537	$624	$7,539	$10,643
Target Bonus Potential	$ 324	$ 89	$ 46	$ 0	$ 274	$ 733

BONUS PAYOUTS

% TARGET EBITDA	% BONUS (6)	CCIP	HAMCO/ BURGUNDY	CHURCHILL	PB	CORP.	TOTAL CASH BONUS PAYOUT	EBITDA BEFORE BONUS	EBITDA W/BONUS	EXCESS BONUS (7)
90%	5%	$ 16	$ 4	$ 2	$0	$ 14	$ 37	$10,187	$10,150	$ 37
91%	10%	$ 32	$ 9	$ 5	$0	$ 27	$ 73	$10,341	$10,267	$ 73
92%	20%	$ 65	$18	$ 9	$0	$ 55	$147	$10,494	$10,348	$147
93%	30%	$ 97	$27	$14	$0	$ 82	$220	$10,648	$10,428	$215
94%	40%	$130	$35	$18	$0	$110	$293	$10,801	$10,508	$135
95%	50%	$162	$44	$23	$0	$137	$366	$10,955	$10,588	$ 55
96%	60%	$195	$53	$27	$0	$164	$440	$11,108	$10,669	$ 0
97%	70%	$227	$62	$32	$0	$192	$513	$11,262	$10,749	$ 0
98%	80%	$260	$71	$37	$0	$219	$586	$11,415	$10,829	$ 0
99%	90%	$292	$80	$41	$0	$247	$659	$11,569	$10,909	$ 0
100%	100%	$324	$89	$46	$0	$274	$733	$11,722	$10,989	$ 0

(1) 'EBITDA - Bonus' represents EBITDA targets for 100% bonus, which is set higher than EBITDA levels shared with lenders.

(2) 'EBITDA - Lenders' represents EBITDA levels shared with lenders on April 20, 2001.

(3) In FY2002 CCIP bonuses are calculated independently of Pillow Buddies. CCIP and Pillow Buddies combined all years thereafter.

(4) Hamco and Burgundy are combined for purposes of calculating bonuses.

(5) In FY2002, Corporate level bonuses will be based on performance from transaction close (August 2001) through March 2002, which includes 8 months of corporate expenses and all post-close transition expenses. Other business lines will be based on full fiscal year results without respect to corporate or transition expenses.

(6) Above 91% of EBITDA, each additional 0.10% of EBITDA will result in incremental 1.0% of bonus.

(7) Excess bonus relative to lenders' anticipated EBITDA level.

EXHIBIT 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), is made and entered into as of July 23, 2001 by and among AMY VIDRINE SAMSON, a resident of the State of Louisiana ("Employee"), and Crown Crafts, Inc., a Georgia corporation ("Employer").

WITNESSETH:

WHEREAS, Employer and Employee each deem it necessary and desirable, for their mutual protection, to execute a written document setting forth the terms and conditions of their employment relationship;

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. Employer hereby employs Employee 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 be deemed to have commenced as of the date hereof and shall end on March 31, 2004 ("Initial Period") unless Employee dies before the end of the Initial Period, provided, that the term of this Agreement shall after March 31, 2003 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 is defined as a "trade secret" under Georgia law pursuant to the Georgia 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 date of the commencement of this Agreement 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.

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) 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;

(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 the Employer's election without Cause or at the election of Employee for Good Reason, Employee shall be entitled to those benefits to which Employee would be entitled if a Change in Control would have occurred as set forth in Section 13 hereof, and Employee shall be entitled to payment of her compensation, 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.
1500 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attn: E. Randall Chestnut, President

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

Employee: Amy Vidrine Samson
3932 Mimosa Street
Baton Rouge, LA 70808

with a copy to: Troutman Sanders LLP
600 Peachtree Street, NE
Suite 5200
Atlanta, Georgia 30308
Attn: Neal H. Ray, Esq.

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, 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.

The benefits provided in this Section 13 shall be payable to Employee if: (i) there shall have been a Change in Control of Employer, as set forth in this Section 13, (ii) Employee is employed by Employer at such time, and (iii) this Agreement is not specifically assumed by the new Control Party with the Employee retaining the same responsibilities, job location and benefits other than job title.

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 20% 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 of Employer, Employee shall be entitled within 90 days after the date of closing of the transaction effecting 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 then current compensation and benefits, including salary, bonuses, all perquisites, and all other forms

of compensation 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. This payment shall be paid to Employee by Employer within 30 days after the delivery of such notice of termination by Employee to Employer.

14. Miscellaneous.

14.1 This Agreement, together with Exhibits A, B, C 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.

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

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 enure 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.

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

"Employee"

/s/ Janet B. Talloy /s/ Amy Vidrine Samson (SEAL)
- ---------- ----------
Witness Amy Vidrine Samson

ATTEST: "Employer"

CROWN CRAFTS, INC.

By: /s/ Robert A. Enholm /s/ E. Randall Chestnut
---------- ----------
Robert A. Enholm , Secretary President and Chief Executive Officer
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(CORPORATE SEAL)

Exhibit A
to 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 Employment Agreement.

BASE SALARY: $160,000 per year subject to annual increases of at least 5%.

LONG TERM INCENTIVES: Restricted Stock Grant for 100,000 shares of the Employer's Common Stock to be adjusted to maintain the Employee's ownership percentage upon exercise of warrants by Bank of America, N.A., The Prudential

Insurance Company of America and Wachovia, N.A. and should Employee elect income tax treatment for such grant under Section 83(b) of the Internal Revenue Code, Employer to loan Employee 83(b) election costs to be repaid over three (3) year period by biweekly payroll deduction, interest free or such shorter period as mutually agreed by Employer and Employee; provided, however, that if such 100,000 shares are not granted (at no cost to Employee other than taxes) on or before the date of this Agreement, Employee may elect instead to receive a payment of $192,000, payable by Employer based on the Senior Management Compensation Strategy Report dated June 29, 2001 prepared by SCA Consulting which will be payable three years from the time when the stock should have been granted. This cash payment will vest 1/3 at the end of year one, 2/3 at the end of year two and be fully vested at the end of year three. In the event of Termination without Cause, this cash payment will vest 100% at the time of Termination and will become immediately payable.

BONUS: Payable each July, as follows for Fiscal Year 2002, and thereafter, based on a performance matrix established against budgets and approved by the Employer's Board of Directors. See Exhibit B and Exhibit C attached hereto.

Amy Vidrine Samson's bonus will be the greater of the amount calculated under the corporate budget or the bonus she would have received by remaining with Hamco (maximum $37,500).

<TABLE>
<CAPTION>

		Target Bonus										
Salary	% of Salary	$ Amount	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Amy Vidrine Samson	$160,000	40%	64,000	6,400	12,800	19,200	25,600	32,000	38,400	44,800	51,200	57,600	64,000

</TABLE>

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

<TABLE>
<CAPTION>

<S>	<C>
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

</TABLE>

EXHIBIT "B"

PROPOSED ANNUAL CASH PAY

THE PROPOSED ANNUAL BONUSES WILL BE DRIVEN BY EBITDA (see facing exhibit)

- Cash bonuses will be awarded based on Corporate or division EBITDA performance
  - At 90% of target EBITDA, the bonus is 5% of target

maximum bonus

- Above 91% of EBITDA, each additional 0.10% of EBITDA results in incremental 1.0% of bonus

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  - Other business lines will be based on full fiscal year results without respect to corporate or transition expenses

EXHIBIT "C"

FY2002 Bonus Structure

<TABLE>
<CAPTION>

	CCIP(3)	Hamco/ Burgundy (4)	Churchill	PB (3)	Corp. (5)(6)	TOTAL
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</TABLE>

Bonus Payouts

<TABLE>
<CAPTION>

% Target EBITDA	% Bonus (7)					Total Cash Bonus Payout	EBITDA Before Bonus	EBITDA w/Bonus	Excess Bonus(8)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
90%	5%	$16	$4	$2	$0	$14	$37	$10,187	$10,150	$37
91%	10%	$32	$9	$5	$0	$27	$73	$10,341	$10,267	$73
92%	20%	$65	$18	$9	$0	$55	$147	$10,494	$10,348	$147
93%	30%	$97	$27	$14	$0	$82	$220	$10,648	$10,428	$215
94%	40%	$130	$35	$18	$0	$110	$293	$10,801	$10,508	$135
95%	50%	$162	$44	$23	$0	$137	$366	$10,955	$10,588	$55
96%	60%	$195	$53	$27	$0	$164	$440	$11,108	$10,669	$0
97%	70%	$227	$62	$32	$0	$192	$513	$11,262	$10,749	$0
98%	80%	$260	$71	$37	$0	$219	$586	$11,415	$10,829	$0
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(2) 'EBITDA - Lenders' represents EBITDA levels shared with lenders on April 20, 2001.
(3) In FY2002 CCIP bonuses are calculated independently of Pillow Buddies. CCIP and Pillow Buddies combined all years thereafter.
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(5) In FY2002, Corporate level bonuses will be based on performance from transaction close (August 2001) through March 2002, which includes 8 months of corporate expenses and all post-close transition expenses. Other business lines will be based on full fiscal year results without respect to corporate or transition expenses.
(6) New CFO Amy Samson will receive greater of bonus under corporate budget or bonus she would have received by remaining with Hamco (maximum $37,500).
(7) Above 91% of EBITDA, each additional 0.10% of EBITDA will result in incremental 1.0% of bonus.
(8) Excess bonus relative to lenders' anticipated EBITDA level.

EXHIBIT 10.3

CROWN CRAFTS, INC.
RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT, made and entered into this 23rd day of July, 2001 (the "Grant Date") by and between CROWN CRAFTS, INC., a Georgia corporation (the "Company"), and _____ (the "Grantee");

WITNESSETH:

WHEREAS, the CROWN CRAFTS, INC. RESTRICTED STOCK PLAN (the "Plan") has been adopted by the Company; and

WHEREAS, Article II of the Plan authorizes the Committee to cause the Company to enter into a written agreement with the Grantee setting forth the form and the amount of any Award and any conditions and restrictions of the award imposed by the Plan and the Committee; and

WHEREAS, the Committee desires to make an award of Restricted Stock to the Grantee;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Grantee hereby agree as follows:

1. Terms of Award.

(a) The number of shares of Restricted Stock awarded under this Restricted Stock Agreement shall be _____ (_____) shares. Shares of Restricted Stock are shares of Stock granted under this Restricted Stock Agreement and are subject to the terms of this Agreement and the Plan.

(b) The "Restricted Period" is the period of time beginning on the Grant Date and ending on July 23, 2003.

2. General Definitions. Any capitalized terms herein shall have the meaning set forth in the Plan, and, in addition, for purposes of this Restricted Stock Agreement, each of the following terms, when used herein, shall have the meaning set forth below:

(a) Cause. For purposes of this Agreement, a termination of employment is for "Cause" if the Grantee 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 Grantee (i) intentionally and continually failed substantially to perform his or her reasonably assigned duties with the Company (other than a failure resulting from the Grantee's incapacity due to physical or mental illness or from the Grantee's assignment of duties that would constitute Good Reason) 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 Grantee specifying the manner in which the Grantee 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 no termination of the Grantee's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Grantee a copy of a written notice setting forth that the Grantee was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Grantee shall have been provided an opportunity to be heard in person by the Board (with the assistance of the Grantee's counsel if the Grantee so desires). No act, nor failure to act, on the Grantee's part, shall be considered "intentional" unless the Grantee has acted, or failed to act, with a lack of good faith and with a lack of reasonable belief that the Grantee'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 who is senior to Grantee, or based upon the advice of counsel for the Company, shall be conclusively presumed to be done, or omitted to be done, by the Grantee in good faith and in the best interests of the Company. Any termination of the Grantee'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(a).

(b) Change in Control. For purposes of this Agreement, a "Change in Control" shall mean any of the following:

(i) 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 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 percent (20%) 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, (1) Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) and (2) 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 constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Company or (y) 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"), (B) the Company or its subsidiaries, or (C) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(ii) The eight (8) individuals who are appointed or elected to the Board as set forth in the Section 3.13 of the Merger Agreement by and between Design Works Holding Company, Design Works Inc., Crown Crafts Designers, Inc. and

Crown Crafts, Inc. (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

(iii) Approval by shareholders of the Company of:

(A) 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:

(x) the shareholders of the

Company, immediately before such merger, consolidation or reorganization, own indirectly 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,

(y) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement 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

(z) no Person other than (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any subsidiary of the Company, or (iv) any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities), has Beneficial

Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities;

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

(C) 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 of the Company).

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.

(c) Code shall mean the Internal Revenue Code of 1986, as amended.

(d) Good Reason. For purposes of this Agreement, "Good Reason" shall mean a good faith determination by the Grantee, in the

Grantee's sole and absolute judgment, that any one or more of the following events or conditions has occurred, without the Grantee's express written consent:

(i) The assignment to the Grantee of any duties inconsistent with the Grantee's position (including, without limitation, status, titles and reporting requirements), authority, duties or responsibilities, 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 Grantee;

(ii) A material reduction by the Company of the Grantee'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 Grantee is covered which adversely affects the Grantee;

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

(iv) a failure to increase the Grantee'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 Grantee's promotion) granted to the Grantee during the three (3) prior full fiscal years (or such less number of full fiscal years during which the Grantee was employed);

(v) the Company's requiring the Grantee to be based anywhere other than within fifty (50) miles of the Grantee's job location, except for reasonably required travel on the Company's business which is not materially increased; provided, however, this provision does not apply if Grantee is the Chief Executive Officer of the Company;

(vi) without replacement by a plan providing benefits to the Grantee 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 Grantee participates, or the taking of any action by the Company that would adversely affect the Grantee's participation or materially reduce the Grantee's benefits under any of such plans;

(vii) the taking of any action by the Company that would materially adversely affect the physical conditions in or under which the Grantee performs his employment duties, provided that the Company 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 Grantee'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 Grantee's employment for Cause by the Company which does not comply with the terms of Section 2(a) hereof; or

(x) any breach by the Company of any material provision of the Grantee's Employment Agreement with the

Company, if any.

The Grantee's right to terminate his employment pursuant to this Section 2(d) shall not be affected by his incapacity due to physical or mental illness.

(e) "Total Disability" means a disability of Grantee resulting in a complete inability to engage in the Grantee's regular occupation by reason of any physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, all as determined by a

licensed physician acceptable to the Committee and evidenced by a certificate to the Company; provided, however, Grantee shall have the right to obtain a second opinion from a licensed physician. If such second opinion differs from that of the physician selected by the Committee, a third licensed physician acceptable to both the Committee and the Grantee shall be consulted to render an opinion, which third opinion shall be final and binding on all parties hereto.

3. Grant of Award. Upon the terms and subject to the conditions and limitations hereinafter set forth, the Grantee is hereby granted the number of shares of Restricted Stock set forth in Section 1.

4. Dividends and Voting Rights. The Grantee shall be entitled to receive any dividends paid with respect to shares of Restricted Stock that become payable during the Restricted Period; provided, however, that no dividends shall be payable to or for the benefit of the Grantee with respect to record dates occurring prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Grantee has forfeited the Restricted Stock. The Grantee shall be entitled to vote the shares of Restricted Stock during the Restricted Period to the same extent as would have been applicable to the Grantee if the Grantee was then vested in the shares; provided, however, that the Grantee shall not be entitled to vote the shares with respect to record dates for such voting rights arising prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Grantee has forfeited the Restricted Stock.

5. Deposit of Shares of Restricted Stock. Each certificate issued in respect of shares of Restricted Stock granted under this Agreement shall be registered in the name of the Grantee and shall be deposited in a bank designated by the Committee. The grant of Restricted Stock is conditioned upon the Grantee endorsing in blank a stock power for the Restricted Stock.

6. Transfer and Forfeiture of Shares. If the Grantee's termination of employment does not occur during the Restricted Period, then, at the end of the Restricted Period, the Grantee shall become vested in the shares of Restricted Stock, and shall own the shares free of all restrictions otherwise imposed by this Agreement. The Grantee shall become vested in the shares of Restricted Stock, and become owner of the shares free of all restrictions otherwise imposed by this Agreement, prior to the end of the Restricted Period, as follows:

(a) The Grantee shall become fully vested in the shares of Restricted Stock upon the Company's termination of Grantee's employment other than for Cause,

(b) The Grantee shall become fully vested in the shares of Restricted Stock upon the Grantee's termination of employment with the Company for Good Reason;

(c) The Grantee shall become fully vested in the shares of Restricted Stock upon the Grantee's termination of employment with the Company because of the Grantee's death or Total Disability;

(d) The Grantee shall become fully vested in the shares

of Restricted Stock upon the date of a Change in Control of the Company, if the Grantee does not terminate employment with the Company on or before the Change in Control.

Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered until the expiration of the Restricted Period or, if earlier, until the Grantee is vested in the shares. Except as otherwise provided in this paragraph 6, if the Grantee's termination of employment occurs prior to the end of the Restricted Period, the Participant shall forfeit the Restricted Stock as of the Grantee's termination of employment.

7. Taxes and Withholding. Notwithstanding the foregoing, no shares of Stock will be issued unless the Grantee (or his or her representative as the case may be) satisfies the applicable withholding obligations. The Committee, in its sole discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Grantee, through the surrender of shares of Stock which the Grantee already owns, or through the surrender of shares of Stock to which the Grantee is otherwise entitled under the Plan.

In the event Grantee elects income tax treatment for this Award under Section 83(b) of the Code, the Company shall loan Grantee the amount of such additional income tax incurred by Grantee, with no interest, to be repaid over a three (3) year time period, or such shorter time period as mutually agreeable to the Company and Grantee, through biweekly payroll deductions. In connection with such loan, Grantee shall execute any such notes or loan documents as required by the Company in its discretion.

8. Holder's Exercise Subject to Compliance with Securities Laws. Notwithstanding the grant of this Award, in whole or in part, in accordance with all other provisions of this Award, the Company shall have no obligation to issue Stock pursuant thereto unless and until the Grantee furnishes the Company an agreement (in such form as the Committee may specify) in which the Grantee (or any person acting on his behalf) represents that the Stock acquired by him is being acquired for investment and not with a view to the sale or distribution thereof, or such other representations as may be required by the Committee in accordance with the advice of legal counsel, unless the Committee shall have received advice from legal counsel that such representation is not required.

9. Heirs and Successors. This Agreement shall be binding on, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. If any rights of the Grantee or benefits distributable to the Grantee under this Agreement have not been exercised or distributed, respectively, at the time of the Grantee's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. The "Designated Beneficiary" shall be the beneficiary(ies) designated by the Grantee in a writing filed with the Committee in such form and at such time as the Committee shall require. If a deceased Grantee fails to designate a beneficiary, or if the Designated Beneficiary does not survive the

Grantee, any rights that would have been exercisable by the Grantee and any benefits distributable to the Grantee shall be exercised by or distributed to the legal representative of the estate of the Grantee. If a deceased Grantee designates a beneficiary but the Designated Beneficiary dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

10. No Right to Continued Employment. This Award does not confer upon the Grantee the right to continued employment with the Company or any affiliate, nor shall it interfere with the right of the Company or any affiliate to terminate his or her employment at any time.

11. Miscellaneous.

(a) This Award has been issued pursuant to the Plan and shall be subject to, and governed by, the terms and provisions thereof. The Grantee hereby agrees to be bound by all the terms and provisions of the Plan. In the event of any conflict between the terms of the Plan and this Agreement, the provisions of the Plan shall govern.

(b) This Agreement shall be governed by the laws of the State of Georgia.

(c) This Agreement may be amended by written Agreement of the Grantee and the Company, without the consent of any other person.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Restricted Stock Agreement as of the day and year first above written.

CROWN CRAFTS, INC.

By:

Its:

GRANTEE:

EXHIBIT 10.4

$33,000,000

CREDIT AGREEMENT

dated as of

July 23, 2001

among

CROWN CRAFTS, INC.,
CHURCHILL WEAVERS, INC.,
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

as Borrowers,

The Lenders Listed Herein

and

WACHOVIA BANK, N.A.,

as Agent

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CREDIT AGREEMENT

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EXHIBITS:

SCHEDULES:

(Schedules to this agreement have been omitted; the Registrant agrees to furnish supplementally to the Commission, upon request, a copy of these schedules.)

CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of July 23, 2001, is made by and among CROWN CRAFTS, INC., CHURCHILL WEAVERS, INC., HAMCO, INC. and CROWN CRAFTS INFANT PRODUCTS, INC., as joint and several Borrowers, the Lenders party hereto from time to time and WACHOVIA BANK, N.A., as a Lender and Agent.

The parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

SECTION 1.01. Definitions

A. The following terms as defined in this SECTION 1.01 pertaining to yield maintenance regarding the Term Notes shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided), have the meanings set forth herein.

"Called Principal" means, with respect to any Term Note, the principal of such Term Note that is prepaid (i) in connection with any payment of principal following a declaration that all principal of the Term Loans is immediately due and payable pursuant to SECTION 6.01, (ii) following the commencement of any case under the Bankruptcy Code in which any Borrower is the debtor and (iii) where mutually agreed by the Borrowers and the Lenders.

"Discounted Value" means, with respect to the Called Principal of any Term Note, the amount obtained by discounting all Remaining Scheduled Principal Reduction Amounts with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (as converted to reflect the periodic basis on which interest on such Term Note is payable, if payable other than on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Term Note, the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City local time) on the Domestic Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace page 678 on the Telerate Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H. 15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if

necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields `in accordance with accepted financial practice and (b) interpolating linearly between Yields reported for various maturities. For purposes of this calculation for any Term Note, it is agreed that the mandatory prepayment schedule applicable to the Term Notes as originally issued (the Scheduled Principal Reduction Amounts as set forth in this Agreement as of the Closing Date, with a maturity date of [June 30], 2006 and the Cash Contract Rate as set forth in this Agreement as of the Closing Date) shall be used.

"Remaining Average Life" means, with respect to the Called Principal of any Term Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Principal Reduction Amounts of such Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Principal Reduction Amounts. For purposes of this calculation for any Term Note, it is agreed that the mandatory prepayment schedule applicable to the Notes as originally issued (the Scheduled Principal Reduction Amounts as set forth in this Agreement as of the Closing Date, with a maturity date of [June 30], 2006 and the Cash Contract Rate as set forth in this Agreement as of the Closing Date) shall be used.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Term Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date. For purposes of this calculation for any Note, it is agreed that the Scheduled Principal Reduction Amounts as set forth in this Agreement as of the Closing Date, with a maturity date of [June 30], 2006 and the Cash Contract Rate as set forth in this Agreement as of the Closing Date, shall be used.

"Settlement Date" means with respect to the Called Principal of any Term Note, the date on which such Called Principal is to be prepaid pursuant to SECTION 2.09 or 2.10 or is declared to be immediately due and payable pursuant to SECTION 6.01, as the context requires.

"Yield-Maintenance Amount" means, with respect to any Term Note, an amount equal to the excess, if any, of the Discounted Value of the Called Principal of such Term Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield-Maintenance Amount shall in no event be less than zero. For purposes of this calculation for any Term Note, it is agreed that the Scheduled Principal Reduction Amounts as set forth in this Agreement as of the Closing Date, with a maturity date of [June 30], 2006 and the Cash Contract Rate as set forth in this Agreement as of the Closing Date, shall be used.

B. The following other terms as defined in this SECTION 1.01 shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided), have the meanings set forth herein:

"Accounts Receivable Collateral" shall mean and include all accounts, instruments, and chattel paper, including, without limitation, all rights of each Borrower to

payment for goods sold or leased, or to be sold or to be leased, or for services rendered or to be rendered, howsoever evidenced or incurred, and together with all returned or repossessed goods and all books, records, computer tapes, programs and ledger books arising therefrom or relating thereto, all whether now owned or hereafter acquired or arising; provided, however, that the term Accounts Receivable Collateral shall not include Factored Accounts.

"Account Debtor" shall mean the Person who is obligated on any of the Accounts Receivable Collateral or Factored Accounts or otherwise is obligated as a purchaser or lessee of any of the Inventory Collateral.

"Adjusted London Interbank Offered Rate" has the meaning set forth in SECTION 2.05(c).

"Affected Lender" has the meaning set forth in SECTION 7.14.

"Affiliate" of any relevant Person means (i) any Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "Controlling Person"), (ii) any Person (other than the relevant Person or a Subsidiary of the relevant Person) which is controlled by or is under common control with a Controlling Person, or (iii) any Person (other than a Subsidiary of the relevant Person) of which the relevant Person owns, directly or indirectly, 10% or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means Wachovia Bank, N.A., a national banking association organized under the laws of the United States of America, in its capacity as agent for the Lenders hereunder, and its successors and permitted assigns in such capacity.

"Aggregate Real Properties" has the meaning set forth in SECTION 4.13(a).

"Aggregate Revolving Loan Commitments" means the sum of all the Revolving Loan Commitments, which, as of the Closing Date equals $19,000,000.

"Aggregate Revolving Loan Amount Outstanding" means at any time the sum of the aggregate principal amount outstanding under the Revolving Loans (including, without limitation, the Settlement Loans).

"Agreement" means this Credit Agreement, together with all amendments and supplements hereto.

"Annual Period" means each annual period of 12 consecutive months ending on a June 30 Quarterly Payment Date.

"Applicable Margin" has the meaning set forth in SECTION 2.05(a).

"Assignee" has the meaning set forth in SECTION 10.08(c).

"Assignment and Acceptance" means an Assignment and Acceptance executed in accordance with SECTION 10.08(c) in the form of EXHIBIT D.

"Assignment of Factoring Credit Balances" means an Assignment of Factoring Credit Balances and Agreement in the form of EXHIBIT S, or otherwise acceptable to the Lenders and the Collateral Agent, and entered into from time to time by the Collateral Agent, one or more Borrowers and a Permitted Factor.

"Authority" has the meaning set forth in SECTION 8.02.

"Balances Collateral" shall mean all property of each Borrower left with the Agent, the Collateral Agent or any Lender or in the possession, custody or control now or hereafter of the Agent or any Lender, all deposit accounts of each Borrower now or hereafter opened with the Agent, the Collateral Agent or any Lender or with another depositary which has executed a deposit control agreement or Blocked Account Agreement, all certificates of deposit issued by the Agent or any Lender to any Borrower or by another issuer which has executed a Blocked Account Agreement or where the certificate of deposit has been pledged with the Collateral Agent, in each case as required by SECTION 2.14(b), and all drafts, checks and other items deposited in or with the Agent, the Collateral Agent or any Lender by any Borrower for collection now or hereafter, including, without limitation, all such items described in SECTION 10.05.

"Bankruptcy Code" shall mean Title 11 of the United States Code, as it may be amended from time to time.

"Base Rate" means for any Base Rate Loan for any day, the rate per annum equal to the higher as of such day of (i) the Prime Rate, or (ii) one-half of one percent above the Federal Funds Rate. For purposes of determining the Base Rate for any day, changes in the Prime Rate or the Federal Funds Rate shall be effective on the date of each such change.

"Base Rate Loan" means a Revolving Loan which bears or is to bear interest at a rate based upon the Base Rate, and is to be made as a Base Rate Loan pursuant to the applicable Notice of Borrowing, SECTION 2.02(f), or ARTICLE 8, as applicable.

"Blocked Account Agreement" means a Blocked Account Agreement substantially in the form of EXHIBIT Q, with any changes as may be acceptable to the Required Lenders in their sole discretion, executed and delivered by any depositary institution with which any Borrower has a demand deposit, operating account or other such similar depositary relationship.

"Borrowers" means, individually and collectively, as the context requires, each of the following Persons, each of them being jointly and severally obligated as Borrowers hereunder: (i) the Parent, Churchill Weavers, Inc., a Kentucky corporation, Hamco, Inc., a Louisiana corporation, and Crown Crafts Infant Products, Inc., a Delaware corporation; (ii) any Person which becomes a Borrower pursuant to the provisions of SECTION 5.15; and (iii) in the case of each Borrower, its successors and its permitted assigns.

"Borrowing" means a borrowing hereunder consisting of Revolving Loans and Refunding Loans made to the Borrowers (i) at the same time by all of the Lenders, in the case of a Revolving Loan Borrowing, or (ii) separately by Wachovia, in the case of a Settlement Loan Borrowing, in each case pursuant to ARTICLE 2. Borrowing is a "Revolving Loan Borrowing" if such Loans are Revolving Loans, a "Settlement Loan Borrowing" if such Loans are Settlement Loans, a "Syndicated Borrowing" if such Loans are Syndicated Loans, a "Euro-Dollar Borrowing" if such Loans are Euro-Dollar Loans, and a "Base Rate Borrowing" if such Loans are Base Rate Loans.

"Borrowing Base" means the following sum:

(A) an amount equal to 85% of the dollar value of Eligible Accounts as of the date of determination;

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(B) an amount equal to the sum of (I) 85% of the dollar value of Factored Accounts as of the date of determination, net of all reserves and deductions taken by the Permitted Factor in connection therewith pursuant to the related factoring program, disputes, fees and expenses, other than reserves for letters of credit issued or guaranteed by the Permitted Factor, and excluding Factored Accounts as to which the Permitted Factor does not have the credit risk, less (II) reserves for letters of credit issued or guaranteed by the Permitted Factor;

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(C) the lesser of: (I) the sum of (A) plus (B) above, plus the amount excluded from (B) above for reserves for letters of credit issued or guaranteed by the Permitted Factor; (II) $8,500,000; and (III) the sum of: (i) and (ii) below, subject to clause (iii) below:

(i) subject to clause (iii) below, an amount equal to 45% of the dollar value of the Eligible Inventory consisting of finished goods, valued at the lower of cost (on a first-in, first-out basis) or market value as at the date of determination;

plus

(ii) subject to clause (iii) below, an amount equal to 45% of the face dollar value of the Eligible Inventory consisting of its raw materials, valued at the lower of cost (on a first-in, first-out basis) or market value as of the date of determination

(iii) notwithstanding the provisions of clauses (i) and (ii) above, (1) In-Transit Inventory shall not be included to the extent that 45% of the dollar value thereof would exceed $1,500,000, (2) Licensed Inventory consisting of raw materials shall not be included to the extent that 45%

of the dollar value thereof would exceed $500,000 and (3) Licensed Inventory (whether consisting of finished goods or raw materials) shall not be included to the extent that 45% of the dollar value thereof would exceed $2,000,000;

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(D) for a period not exceeding 60 days after the Closing Date,

amounts recoverable by the Borrowers on account of customs duties related to the importation of goods, not to exceed $800,000, as evidenced by documentation acceptable to the Agent.

"Borrowing Base Certificate" means a certificate in form and substance reasonably satisfactory to the Agent, showing the calculations of the components of the Borrowing Base.

"Capital Stock" means any capital stock other than Redeemable Preferred Stock of the Parent or any Subsidiary (to the extent issued to a Person other than any Borrower), whether common or preferred.

"Cash Contract Rate" means the fixed contract rate of interest on the Term Loans payable in cash on each Quarterly Payment Date and on the Term Loan Maturity Date, which is a rate equal to 10% per annum, and which does not include Contingent Interest.

"Cash Interest" means, for any period, the aggregate amount of interest payable during such period on the Revolving Loans, the Term Loans (at the Cash Contract Rate only) and the Senior Subordinated Debt.

"Casualty" means any act or occurrence of any kind or nature that results in damage, loss or destruction to the Collateral.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. ss.9601 et. seq. and its implementing regulations and amendments.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"Certified Public Accountants" means the Parent's independent certified public accountants as of the Closing Date and such other firm or firms of naturally recognized independent certified public accountants which may be retained by the Borrower thereafter for the purpose of auditing its financial statements.

"Change of Law" shall have the meaning set forth in SECTION 8.02.

"Closing Certificate" has the meaning set forth in SECTION 9.01(e).

"Closing Date" means July 23, 2001.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor federal tax code.

"Collateral" means (i) the personal property in which the Collateral Agent, for the benefit of the Lenders, is granted a security interest pursuant to SECTION 3.01, (ii) the Real Property conveyed to the Collateral Agent pursuant to the Mortgages, and (iii) the Domestic Pledged Stock and the Foreign Pledged Stock pledged to the Collateral Agent pursuant to the Domestic Stock Pledge Agreement and the Foreign Stock Pledge Agreement, respectively.

"Collateral Agent" means (i) Wachovia Bank, N.A., in its capacity as "Collateral Agent", as that term is defined in the Intercreditor Agreement, and (ii) any successor "Collateral Agent" appointed pursuant thereto.

"Collateral Information Certificates" means, individually or collectively, as the context shall require, the Collateral Information Certificates dated as of even date herewith, substantially in the form of EXHIBIT M, executed by each of the Borrowers and containing disclosure of information pertaining to the Collateral.

"Collateral Locations" shall mean the respective state of organization of each Borrower, chief executive office of each Borrower and those additional locations, if any, of each Borrower set forth and described in the Collateral Information Certificates.

"Collateral Reserve Account" shall mean any non-interest bearing, demand deposit account which Borrowers are or may be required to open and maintain with Collateral Agent pursuant to the requirements of SECTION 2.14.

"Commitment" means a Revolving Loan Commitment or a Term Loan Commitment, or both, as the context shall require.

"Commitment Fee" has the meaning set forth in SECTION 2.06(a).

"Commitment Percentage" means, for each Lender, the percentage equal to its Revolving Loan Commitment divided by the Aggregate Revolving Loan Commitments.

"Compliance Certificate" has the meaning set forth in SECTION 5.01(c).

"Condemnation" means any taking of title, of use, or of any other property interest under the exercise of the power of eminent domain, whether temporarily or permanently, by any governmental authority or by any Person acting under governmental authority.

"Condemnation Awards" means any and all judgments, awards of damages (including, but not limited to, severance and consequential damages), payments, proceeds, settlements, amounts paid for a taking in lieu of Condemnation, or other compensation heretofore or hereafter made, including interest thereon, and the right to receive the same, as a result of, or in connection with, any Condemnation or threatened Condemnation.

"Consolidated Available Free Cash Flow" means, for each Annual Period, an amount equal to 70% of Consolidated Free Cash Flow for such Annual Period.

"Consolidated Debt" means, at any date, the Debt of the Parent and its Consolidated Subsidiaries, determined on a consolidated basis as of such date, but excluding Contingent Interest and amounts payable pursuant to SECTION 2.06(a) of the Senior Subordinated Notes Purchase Agreement.

"Consolidated EBITDA" means the sum of the following, calculated on a consolidated basis in accordance with GAAP for the Parent and its Consolidated Subsidiaries, for the relevant fiscal period: (i) Consolidated Net Income; plus (ii) depreciation and amortization expenses; plus (iii) Consolidated Interest Expense; plus (iv) income tax expense included in Consolidated Net Income.

"Consolidated Excess Cash Flow" means, for each Annual Period, (i) Consolidated Available Free Cash Flow for such Annual Period, minus (ii) Cash Interest paid during such Annual Period, minus (iii) the aggregate of the Minimum Principal Reduction Amounts paid during such Annual Period.

"Consolidated Free Cash Flow" means, for any period, (i) Consolidated EBITDA for such Annual Period, minus (ii) capital expenditures made in such Annual Period, minus (iii) taxes paid in such Annual Period.

"Consolidated Interest Expense" means, for any relevant fiscal period, interest, whether expensed or capitalized, in respect of Debt of the Parent or any of its Consolidated Subsidiaries outstanding during such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any relevant fiscal period, the Net Income of the Parent and its Consolidated Subsidiaries determined on a consolidated basis, but excluding extraordinary items.

"Consolidated Senior Debt" means, on any date of measurement, all Consolidated Debt, other than Subordinated Debt.

"Consolidated Subsidiary" means, at any date, any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Parent in its consolidated financial statements as of such date.

"Contingent Interest" means the fixed contingent rate of interest payable on the Term Loans from Consolidated Excess Cash Flow and on the Term

Loan Maturity Date pursuant to SECTION 2.01(c), which is a rate equal to 3% per annum, and which does not include interest at the Cash Contract Rate.

"Contribution Agreement" means the Contribution Agreement of even date herewith in substantially the form of EXHIBIT L to be executed by each of the Borrowers.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrowers, are treated as a single employer under SECTION 414 of the Code.

"Credit Documents" means this Agreement, the Notes, the Contribution Agreement, the Security Documents, the Collateral Information Certificates, the Consent and Agreement of the Borrowers at the end of the Intercreditor Agreement, any other agreement or document evidencing, relating to or securing the Obligations, and any other agreement, document or instrument delivered from time to time in connection with this Agreement, the Notes, the Security Documents or the Obligations, as such documents and instruments may be amended or supplemented from time to time.

"Debt" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all payment obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and accrued expenses arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases or leases for which such Person retains tax ownership of the property subject to a lease, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vii) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid or undrawn amounts available to be paid under a letter of credit or similar instrument, (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (ix) all obligations of such Person with respect to interest rate protection agreements, foreign currency exchange agreements or other hedging arrangements, other than commodity hedging agreements entered into by such Person as risk protection rather than as an investment (each valued at the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable agreement, if any), and (x) all Debt of others Guaranteed by such Person.

"Debt/EBITDA Ratio" means the ratio of Consolidated Debt to Consolidated EBITDA.

"Debt Service" means, for any period, the sum of: (i) Cash Interest paid during such period, plus (ii) the Minimum Principal Reduction Amounts paid during such period.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means, with respect to any of the Obligations, on any day, the sum of (i) the applicable Interest Rate Basis, plus (ii) the highest Applicable Margin, plus (iii) two percent (2%).

"Deferred Principal Amount" has the meaning set forth in SECTION 2.01(c).

"Direct Foreign Subsidiary" means any Foreign Subsidiary owned directly by any Borrower.

"Dollars" or "$" means dollars in lawful currency of the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Georgia and New York are authorized by law to close.

"Domestic Stock Pledge Agreement" means the Stock Pledge Agreement, substantially in the form of EXHIBIT N, which is an amendment and restatement of the Original Stock Pledge Agreement, to be executed by the Parent (or, pursuant to SECTION 5.15, any other Borrower created or acquiring a Domestic Subsidiary), pledging to the Collateral Agent pursuant thereto, for the equal and ratable benefit of the Lenders, all of the outstanding capital stock of all Domestic Subsidiaries, to secure the payment of all of the Obligations, as any of the foregoing may be amended or supplemented from time to time.

"Domestic Pledged Stock" means the capital stock of the Domestic Subsidiaries described in and pledged pursuant to the Domestic Stock Pledge Agreement.

"Domestic Subsidiary" means any Subsidiary which is organized under the laws of the United States of America or any state, territory or possession thereof or the District of Columbia.

"EBITDA/Cash Interest Ratio" means the ratio of Consolidated EBITDA to Cash Interest.

"Eligible Accounts" means that portion of the Accounts Receivable Collateral of each Borrower consisting of trade accounts receivable actually owing to such Borrower by its Account Debtors subject to no counterclaim, defense, setoff or deduction, provided, in each of the foregoing cases, that such Accounts Receivable Collateral is at all times subject to a duly perfected, first priority security interest in favor of Collateral Agent, subject only to any Permitted Encumbrances excluding, however, in any event any such account:

(i) with respect to which any portion thereof is more than 90 days past invoice date or more than 60 days past due date (or such lesser number of days which the Agent may establish by written notice from time to time to the Borrowers in its good faith credit judgment);

(ii) which is owing by any Subsidiary or other Affiliate;

(iii) which is owing by any Account Debtor having 50% or more in face value of its then existing accounts with such Borrower more than 90 days past invoice date or more than 60 days past due date;

(iv) the assignment of which is subject to any requirements set forth in the Assignment of Claims Act of 1940, as amended;

(v) which is owing by any Account Debtor whose accounts, in face amount, with such Borrower exceed 10% of such Borrower's Eligible Accounts, but only to the extent of such excess; provided, however, that Account Receivable Collateral from the following Account Debtors shall not be considered ineligible solely on the basis of exceeding such 10% limitation, so long as the aggregate amount of Accounts Receivable Collateral owed by any such Account Debtor

does not exceed the following amount for such Account Debtor, and so long as there is no material deterioration in the creditworthiness of such Account Debtor: (1) for each of Toys R Us, Sears, Roebuck, Target and Wal-Mart, $1,000,000, and (2) for each of Burlington Coat Factory, J.C. Penney and K-Mart, $500,000;

(vi) which arises from a sale to an Account Debtor with its principal office, assets or place of business outside the United States, unless the sale is backed by an irrevocable letter of credit that is issued or confirmed by a bank acceptable to the Agent that is

in form and substance acceptable to the Agent and payable in the full amount of such account is freely convertible into Dollars at a place of payment within the United States, and, if requested by the Agent, such letter of credit, or amounts payable thereunder, is collaterally assigned to the Collateral Agent;

(vii) which arises from (A) the sale of goods which have not been delivered and accepted by the Account Debtor (a "bill and hold" arrangement), or (B) services which have not been performed by such Borrower and accepted by the Account Debtor;

(viii) which is owing by any Account Debtor which is the subject (as debtor) of any voluntary or involuntary case or proceeding under any bankruptcy, insolvency or other similar law or as to which a trustee, receiver, liquidator, custodian or other similar official has been appointed for it or for any substantial part of its property;

(ix) which arises from the sale of any Inventory Collateral that is not Eligible Inventory pursuant to clause (iii) of the proviso contained in the definition of "Eligible Inventory";

(x) with respect to which the Agent determines in its good faith credit judgment that collection of such account is insecure, or that payment thereof is doubtful or will be delayed by reason of such Account Debtor's financial condition or that the prospect of payment or performance by such Account Debtor is or will be impaired;

(xi) with respect to which the Account Debtor's executive offices are located in the State of New Jersey, Minnesota, Indiana or any other state imposing similar conditions to the right of a creditor to collect accounts, unless (A) such Borrower has filed a notice of business activities report, or such other similar report required by such state, with the appropriate officials of such state for the then current year, or (B) such Account Debtor has substantial assets located, respectively, outside of the States of New Jersey, Minnesota, Indiana or such other state, as the case may be;

(xii) which is owed by, billed to, or will be paid by an Account Debtor located in the State of Alabama or any other state the laws of which deny creditors access to its courts in the absence of qualification to do business as a

foreign corporation in such state or in the absence of the filing of any required reports with such state, unless such Borrower has qualified as a foreign corporation authorized to do business in Alabama or such state or has filed such required reports;

(xiii) which is subject to any Lien other than a Permitted Encumbrance;

(xiv) which consists of "billings over cost" (items which have been invoiced but for which costs incurred in connection therewith have not been recognized);

(xv) which is owing by any Account Debtor with respect to which any Borrower has determined for any reason not to continue selling goods to or performing services for on open account;

(xvi) which is evidenced by chattel paper or an instrument of any kind, or has been reduced to judgment;

(xvii) which is owed by an Account Debtor owing any account with a balance greater than $100,000 which is not an Eligible Account;

(xviii) with respect to which such Borrower has made an agreement with the Account Debtor (A) for any deduction therefrom, except for discounts or allowances which are made in the ordinary course of business for prompt payment and which discounts or allowances are reflected in the calculation of the face amount of each invoice

related to such Account, but only to the extent of such deduction, or (B) to extend the time of payment thereof beyond the period set forth in clause (i) in this definition;

(xix) which arises from a retail sale of goods to a Person who is purchasing the same primarily for personal, family or household purposes; or

(xx) which represents a progress billing (unless the Required Lenders, in the exercise of their sole discretion, after the Borrower's request, permits the same to not be excluded hereunder) or a retainage or;

(xxi) which has not otherwise been determined by mutual agreement of the Agent and the Borrowers to be ineligible for purposes hereof.

"Eligible Inventory" means the gross dollar value of Inventory Collateral of any Borrower consisting of: (a) raw materials; and (b) finished goods, subject to no further processing and held for sale in the ordinary course of business to customers and not Affiliates of the Borrowers; provided, in each of the foregoing cases, that such Inventory Collateral:

(i) is at all times subject to a duly perfected, first priority security interest in favor of Collateral Agent, subject only to any Permitted Encumbrances, and except for In-Transit Inventory;

(ii) is in good and saleable condition;

(iii) is not on consignment from or subject to any guaranteed sale, sale-or-return, sale-or-approval, or repurchase agreement with any supplier;

(iv) does not constitute returned goods in transit to customers,

(v) does not constitute obsolete, repossessed, damaged or slow-moving (older than 12 months) goods;

(vi) conforms in all respects to the warranties and representations with respect to Inventory Collateral set forth herein;

(vii) is not subject to a negotiable document of title (unless issued or endorsed, and delivered to the Collateral Agent);

(viii) is located in the United States on premises owned by such Borrower or with respect to which the Collateral Agent holds a Waiver Agreement and is a Collateral Location, except that In-Transit Inventory shall be included as Eligible Inventory, and Inventory Collateral shall not be deemed to be ineligible despite the absence of a Waiver Agreement for the periods after the Closing Date set forth in Section 5.29;

(ix) meets all standards imposed by any governmental agency or authority; and

(x) which has not otherwise been determined by mutual agreement of the Agent and the Borrowers to be ineligible for purposes hereof.

"Environmental Authority" means any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Authorizations" means all licenses, permits, orders, approvals, notices, registrations or other legal prerequisites for conducting the business of the Parent or any Subsidiary required by any Environmental Requirement.

"Environmental Judgments and Orders" means all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent, or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"Environmental Liabilities" means any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with any Environmental Requirements.

"Environmental Notices" means notice from any Environmental Authority or by any other person or entity, of possible or alleged noncompliance with or liability under any

Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"Environmental Proceedings" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"Environmental Releases" means releases as defined in CERCLA or under any applicable state or local environmental law or regulation.

"Environmental Requirements" means any legal requirement relating to health, safety or the environment and applicable to the Parent or any Subsidiary or the Aggregate Real Properties, including but not limited to any such requirement under CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"Equipment Collateral" shall mean all equipment and fixtures of each Borrower, whether now owned or hereafter acquired, wherever located, including, without limitation, all machinery, furniture, furnishings, leasehold improvements, computer equipment, books and records, motor vehicles, forklifts, rolling stock, dies and tools used or useful in such Borrower's business operations, and software embedded in any such goods, excluding, however, Excluded Equipment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"Euro-Dollar Business Day" means any Domestic Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"Euro-Dollar Loan" means a Revolving Loan which bears or is to bear interest at a rate based upon the Adjusted London Interbank Offered Rate, and to be made as a Euro-Dollar Loan pursuant to the applicable Notice of Borrowing.

"Euro-Dollar Reserve Percentage" has the meaning set forth in SECTION 2.05(c).

"Event of Default" has the meaning set forth in SECTION 6.01.

"Excess Borrowing Availability" means, at any time, the amount (if any) by which the aggregate amount of the Borrowing Base exceeds the then outstanding Working Capital Obligations.

"Excluded Equipment" means (i) any equipment subject to a Purchase Money Lien as to which the purchase money creditor holding such Lien prohibits other Liens thereon without its prior consent, unless and until either (A) such creditor grants such consent or (B) the Debt secured by such Lien has been fully paid and satisfied; and (ii) any equipment with respect to which the rights of possession and use of any Borrower are created pursuant to a lease which

does not create a security interest, unless and until such time (if any) as such Borrower acquires title to such equipment from the lessor or the lessor abandons its rights and claims thereto.

"Executive Office" shall mean the chief executive office address of each Borrower designated as such in the Collateral Information Certificates.

"Factored Accounts" means all accounts of any Borrower actually purchased by a Permitted Factor in connection with a factoring program approved by the Required Lenders, which factoring program, among other things, shall not provide for any loans or advances to be made to any of the Borrowers on account of accounts to be purchased by such Permitted Factor or any Lien on accounts or related assets not purchased or identified for purchase by such Factor.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Agent on such day on such transactions, as determined in good faith by the Agent.

"Fiscal Month" means any fiscal month of the Parent.

"Fiscal Quarter" means any fiscal quarter of the Parent.

"Fiscal Year" means any fiscal year of the Parent.

"Foreign Pledged Stock" means all capital stock of the Direct Foreign Subsidiaries pledged pursuant to the Foreign Stock Pledge Agreement.

"Foreign Stock Pledge Agreement" means, collectively, (i) the Foreign Stock Pledge Agreement, substantially in the form of EXHIBIT T, to be executed by the Parent (and, pursuant to SECTION 5.15, any other Borrower creating or acquiring a Direct Foreign Subsidiary), and (ii) and if requested by the Collateral Agent, any pledge or other agreement which may required pursuant to applicable law in the jurisdiction in which a Direct Foreign Subsidiary is located, in each case to be executed and delivered by the Parent and each other Borrower which owns any Direct Foreign Subsidiaries, pledging to the Collateral Agent pursuant thereto, for the ratable benefit of the Lenders, 65% of the capital stock of all Direct Foreign Subsidiaries, to secure the payment of all of the Obligations, as any of the foregoing may be amended or supplemented from time to time.

"Foreign Subsidiary" means any Subsidiary which is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles in the United States of America applied on a basis consistent with those which, in accordance with SECTION 1.02, are

to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the

purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Materials" includes, without limitation, (a) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. ss. 6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) "hazardous substance", "pollutant", or "contaminant" as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, including, crude oil or any fraction thereof, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"Intangibles Collateral" shall mean all general intangibles of each Borrower, whether now existing or hereafter acquired or arising, including, without limitation, all copyrights, royalties, tax refunds, rights to tax refunds, trademarks, trade names, service marks, patent and proprietary rights, blueprints, drawings, designs, trade secrets, plans, diagrams, schematics and assembly and display materials relating thereto, all customer lists, all books and records and all computer software and programs, and all goodwill of each Borrower associated therewith.

"Intercreditor Agreement" means an Intercreditor Agreement, in form and substance satisfactory to the Lenders, by and among the Lenders, the holders of the Senior Subordinated Notes and Wachovia, with respect to the first priority liens in the Collateral in favor of the Collateral Agent for the ratable benefit of the Lenders, and the second priority liens on the Collateral in favor of the Collateral Agent for the ratable benefit of the holders of the Senior Subordinated Notes, and setting forth the relative rights and priorities of such parties in the Collateral and matters related thereto.

"Interest Period" means, with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the first, second, or third month thereafter, as the Borrowers may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period (subject to paragraph (c) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall, subject to paragraph (c) below, end on the last Euro-Dollar Business Day of the appropriate subsequent calendar month; and

(c) no Interest Period may be selected which begins before the Revolving Loan Termination Date and would otherwise end after the Revolving Loan Termination Date.

"Interest Rate Basis" means the Base Rate or the Adjusted London Interbank Offered Rate, as appropriate.

"Interest Rate Protection Agreement" means an interest rate hedging or protection agreement entered into by and between any of the Borrowers and any of

the Lenders, together with all exhibits, schedules, extensions, renewals, amendments, substitutions and replacements thereto and thereof.

"In-Transit Inventory" means Inventory Collateral which is in transit to any Borrower or its customer or its customer's agent, provided that (i) such Borrower has title to such Inventory Collateral, and (ii) such Inventory Collateral is insured.

"Inventory Collateral" shall mean all inventory of each Borrower, whether now owned or hereafter acquired, wherever located, including, without limitation, all goods of such Borrower held for sale or lease or furnished or to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, spare parts, repair parts, returned and repossessed goods, software embedded in such goods, all raw materials, work-in-process, finished goods and supplies used or consumed in such Borrower's business, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading or orders for the delivery of all, or any portion, of the foregoing; provided, however, that "Inventory Collateral" shall not include goods which are placed by the owner thereof on consignment with a Borrower in compliance with SECTION 2-326 of the Uniform Commercial Code of the applicable jurisdiction.

"Investment" means any investment in any Person, whether by means of purchase or acquisition of obligations or securities of such Person (including, without limitation, interest rate protection, foreign currency or other hedging arrangements to be held by such Person as an investment), capital contribution to such Person, loan or advance to such Person, making of a time deposit with such Person, Guarantee or assumption of any obligation of such Person or otherwise.

"Lender" means each bank or other financial institution listed on the signature pages hereof as having a Commitment, and its successors and assigns permitted by SECTION 10.08.

"Lending Office" means, as to each Lender, its office located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Lending Office) or such other office as such Lender may hereafter designate as its Lending Office by notice to the Borrowers and the Agent.

"Letter(s) of Credit" shall mean a commercial or standby letter of credit issued by Wachovia for the account of any Borrower pursuant to ARTICLE 2.

"Letter of Credit Application Agreement" shall mean, with respect to a Letter of Credit, such form of application therefor (whether in a single or several documents) as Wachovia may employ in the ordinary course of business for its own account, whether or not providing for collateral security, with such modifications thereto as may by agreed upon by Wachovia and a Borrower and are not materially adverse to the interests of the Lenders; provided, however, that in the event of any conflict between the terms of any Letter of Credit Application Agreement and this Agreement, the terms of this Agreement shall control.

"Letter of Credit Fee" shall have the meaning ascribed to it in SECTION 2.21.

"Letter of Credit Obligations" shall mean, at any particular time, the sum of (a) the Reimbursement Obligations at such time, (b) the aggregate maximum amount available for drawing under the Letters of Credit at such time and (c) the aggregate maximum amount available for drawing under Letters of Credit the issuance of which has been authorized by Wachovia but which have not yet been issued.

"Licensed Inventory" means Inventory Collateral of any Borrower which is subject to any license or other agreement that limits or restricts such Borrower's or the Collateral Agent's right to sell or otherwise dispose of such inventory.

"Lien" means, with respect to any asset, any mortgage, deed to secure

debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest, encumbrance, or servitude of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, the Borrowers or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Base Rate Loan, Euro-Dollar Loan, Revolving Loan, Settlement Loan or Term Loan, and "Loans" means Base Rate Loans, Euro-Dollar Loans, Revolving Loans, Settlement Loans or Term Loans, or any or all of them, as the context shall require.

"London Interbank Offered Rate" has the meaning set forth in SECTION 2.05(c).

"Margin Stock" means "margin stock" as defined in Regulations T, U or X.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination, or claim or contest by any Borrower demanding the same, in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business, properties or prospects of any Borrower, or any Subsidiary, (b) the rights and remedies of the Collateral Agent or the Lenders under the Credit Documents, the Collateral Agent's security interest and Lien against the Collateral, or the ability of any of the Borrowers or any Person obligated under a Guarantee of the Obligations to perform its obligations with respect to the Obligations or under the Credit Documents to which it is a party (including, without limitation, the repudiation, revocation or any attempt to do the same by any Borrower or Person obligated under a Guarantee of the Obligations or any other Credit Document), as applicable, or (c) the legality, validity or enforceability of any Credit Document.

"Material Contract" means (i) the License Agreement between the Parent and Disney Enterprises, Inc. dated December 4, 2000, and (ii) any contract, lease, instrument, guaranty or license, or other arrangement (other than any of the Credit Documents), whether written or oral, to which any Borrower or any of the Subsidiaries is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could have a Material Adverse Effect.

"Minimum Principal Reduction Amount" means, for each quarterly period ending on a Quarterly Payment Date, the minimum principal payment required to be made on the Term Loans on such Quarterly Payment Date, which shall be: (i) on the Quarterly Payment Date in March, 2002, $250,000; and (ii) on each Quarterly Payment Date thereafter, $500,000.

"Moody's" means Moody's Investor Service, Inc.

"Mortgages" means any one, or more, or all, as the context shall require, of (i) the Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999, from Churchill Weavers, Inc., to Wachovia Bank, N.A., as collateral agent for itself and other lenders identified in said mortgage, recorded in Book 586, Page 332, Madison County, Kentucky, Records, as amended by the Mortgage Amendment; and (ii) any Mortgage required by SECTION 5.15 (which shall be similar to the Mortgage described in clause (i) above, subject to modification as appropriate to take into account the law of the state in which the Real Property covered thereby is located), in each case together with all future amendments and supplements thereto.

"Mortgage Amendment" means an amendment, of even date herewith, to the Mortgage described in clause (i) of the definition of Mortgage, which is satisfactory to the Lenders, which amendment shall, among other things, refer to

this Agreement and the refinancing of the Refinanced Agreements pursuant hereto, secure the Obligations hereunder, and continue the Liens and security interests granted pursuant to the Mortgage without interruption.

"Multiemployer Plan" shall have the meaning set forth in SECTION 4001(a)(3) of ERISA.

"Net Cash Proceeds" shall mean, in each case as set forth in a statement in reasonable detail delivered by the respective Borrower to the Agent and each Lender:

(i) all net amounts paid to or for the account of any Borrower by a Permitted Factor with respect to Factored Accounts, and, with respect to the disposition of any other assets by any Borrower or Subsidiary permitted by SECTION 5.05 or SECTION 5.32, the excess, if any, of (1) the cash proceeds received in connection with such disposition over (2) the sum of (A) the principal amount of any Debt (other than the Obligations) which is secured by such asset and which is required to be repaid in connection with the disposition thereof, plus (B) the reasonable out-of-pocket expenses incurred by such Borrower or such Subsidiary, as the case may be, in connection with such disposition, plus (C) so long as no Event of Default is in existence, provision for taxes, including income taxes, attributable to the disposition of such asset;

(ii) with respect to any cash proceeds received by any Borrower or a Subsidiary in respect of the issuance of any Capital Stock or Redeemable Preferred Stock or the incurrence of any Debt for money borrowed (except Debt secured by Purchase Money Liens), all such cash proceeds, after deducting therefrom all reasonable and customary costs and expenses incurred by such Borrower or Subsidiary directly in connection with the issuance of such Capital Stock or Redeemable Preferred Stock or the incurrence of such Debt for money borrowed.

"Net Casualty/Insurance Proceeds", when used with respect to any Condemnation Awards or insurance proceeds allocable to the Collateral or in respect of business interruption insurance, means the gross proceeds from any Casualty or Condemnation or business interruption remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such gross proceeds.

"Net Income" means, as applied to any Person for any relevant fiscal period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"Notes" means each of the Revolving Loan Notes and the Term Loan Notes, or any or all of them, as the context shall require, together with all amendments, consolidations, modifications, renewals, and supplements thereto.

"Notice of Borrowing" has the meaning set forth in SECTION 2.02(a).

"Obligations" means all Debts, indebtedness, liabilities, covenants, duties and other obligations of the Borrowers: (i) to the Agent, the Collateral Agent or the Lenders included or arising from time to time under this Agreement or any other Credit Document, whether evidenced by any note or other writing, whether arising from the extension of credit, opening of a letter of credit, acceptance or loan guaranty, including, without limitation, principal, interest, Yield-Maintenance Amount, fees, costs, attorney's fees and indemnification amounts and any and all extensions or renewals thereof in whole or in part, direct or indirect, absolute or

contingent, due or to become due, primary or secondary, or joint or several; (ii) to the Agent or Wachovia, with respect to all Letter of Credit Obligations and all other obligations arising in connection with the issuance of any Letter of Credit; (iii) to any Lender or Affiliate thereof arising under any Interest Rate Protection Agreement with any

such Lender or Affiliate, including, without limitation, any premature termination or breakage or other costs with respect thereto; (iv) to any Lender and its Affiliates, arising in connection with any banking or related transactions, services or functions provided to any Borrower in connection with the conduct of such Borrower's business (excluding extensions of credit giving rise to any Debt for Money Borrowed not related to this Agreement or any of the other Credit Documents).

"Officer's Certificate" has the meaning set forth in SECTION 9.01(f).

"Original Security Agreement" means, collectively, each of the "Security Agreements", as defined in the Refinanced Agreements, which were executed and delivered by the Borrowers and their predecessors in interest pursuant to the Refinanced Agreements and the "Intercreditor Agreement", as defined in the Refinanced Agreements.

"Original Stock Pledge Agreement" means the "Pledge Agreement", as defined in the Refinanced Agreements, which was executed and delivered by the Parent pursuant to the Refinanced Agreements and the "Intercreditor Agreement", as defined in the Refinanced Agreements.

"Overadvance Loan" has the meaning set forth in SECTION 2.01(d).

"Parent" means Crown Crafts, Inc., a Georgia corporation, and its successors and permitted assigns.

"Participant" has the meaning set forth in SECTION 10.08(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Encumbrances" means, (i) as to the Collateral granted pursuant to SECTION 3.01, the encumbrances set forth on SCHEDULE 3.01, and (ii) as to each parcel of the Real Properties, the encumbrances expressly permitted by the Mortgage with respect to such parcel of the Real Properties.

"Permitted Factor" means any factor approved in writing by the Lenders and subject to an Assignment of Factoring Credit Balances.

"Person" means an individual, a corporation, a limited liability company, a partnership, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under SECTION 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement

or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding 5 plan years made contributions.

"Prime Rate" refers to that interest rate so denominated and set by Wachovia from time to time as an interest rate basis for borrowings. The Prime Rate is but one of several interest rate bases used by Wachovia. Wachovia lends at interest rates above and below the Prime Rate.

"Purchase Money Lien" means any Lien (including a negative pledge arrangement) granted by any Borrower or any Subsidiary from time to time to vendors or financiers of equipment to secure not less than 75% of the payment of the purchase price thereof so long as (i) such Liens extend only to the specific equipment so purchased, (ii) secure only such deferred payment obligation and related interest, fees and charges and no other Debt, and (iii) are promptly released upon the payment in full of such purchase price and related interest, fees and charges.

"Quarterly Payment Date" means each March 31, June 30, September 30 and December 31, commencing with September 30, 2001.

"Real Properties" means the real property owned by the Borrowers and described in the Mortgages.

"Real Property Documentation" shall mean the following as to each parcel of the Real Properties, in each case in form and substance satisfactory to the Required Lenders in their reasonable judgment:

(i) an owner's/lessee's affidavit for each parcel or tract of such Real Property;

(ii) mortgagee title insurance binders and policies for each tract or parcel of such Real Property;

(iii) a certificate as to the insurance required by the related Mortgage, to the extent not furnished pursuant to SECTION 5.08;

(iv) an indemnification agreement regarding hazardous materials for such Real Property;

(v) as to any Mortgage required by SECTION 5.15, a current survey of each parcel or tract of such Real Property;

(vi) as to any Mortgage required by SECTION 5.15, such consents, acknowledgments, intercreditor or attornment and subordination agreements as the Collateral Agent may require from any Third Parties with respect to any portion of such Real Property;

(vii) as to any Mortgage required by SECTION 5.15, a report of a licensed engineer detailing an environmental inspection of such Real Property; and

(viii) as to any Mortgage required by SECTION 5.15, an appraisal of such Real Property, prepared by an appraiser satisfactory to the Collateral Agent and engaged by and on behalf of the Collateral Agent and the Lenders.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the Term Loan Maturity Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"Refinanced Agreements" means, collectively, (i) the Credit Agreement between the Parent and Wachovia, dated as of August 9, 1999, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of February 23, 2000, Amendment No. 2 to Revolving Credit Agreement dated as of March 13, 2000, Amendment No. 3 to Revolving Credit Agreement dated as of June 4, 2000, Amendment No. 4 to Revolving Credit Agreement dated as of August 31, 2000, Amendment No. 5 to Revolving Credit Agreement dated as of April 3, 2001; and Amendment No. 6 to Revolving Credit Agreement dated as of June 29, 2001 (ii) the Credit Agreement between the Parent and Bank of America, N.A., dated as of August 9, 1999, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of February 23, 2000, Amendment No. 2 to Revolving Credit Agreement dated as of March 13, 2000, Amendment No. 3 to Revolving Credit Agreement dated as of June 4, 2000, Amendment No. 4 to Revolving Credit Agreement dated as of August 31, 2000, Amendment No. 5 to Revolving Credit Agreement dated as of April 3, 2001 and Amendment No. 6 to Revolving Credit Agreement dated as of June 29, 2001; and (iii) the Note Purchase and Private Shelf Facility between the Parent and The Prudential Insurance Company of America dated as of October 12, 1995, as amended by Amendment to 1995 Note Agreement dated as of February 29, 2000, Amendment to 1995 Note Agreement dated as of March 13, 2000, Amendment to 1995 Note Agreement dated as of June 4, 2000, Amendment No. 5 of 1995 Note Agreement dated as of August 31, 2000, Amendment No. 6 of 1995 Note Agreement dated as of April 3, 2001 and Amendment No. 7 of 1995 Note Agreement dated as of June 29, 2001.

"Refunding Loan" means a new Syndicated Loan made on the day on which (i) an outstanding Syndicated Loan is maturing as a refinancing thereof, or (ii)

a Base Rate Borrowing is being converted to a Euro-Dollar Borrowing, if and to the extent that the proceeds thereof are used entirely for the purpose of refinancing such maturing Loan or Loan being converted, excluding any difference between the amount of such maturing Loan or Loan being converted and any greater amount being borrowed on such day and actually either being made available to the Borrowers pursuant to SECTION 2.02(c) or remitted to the Agent as provided in SECTION 2.11, in each case as contemplated in SECTION 2.02(d).

"Register" has the meaning set forth in SECTION 10.08(c).

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Reimbursement Obligations" means the reimbursement or repayment obligations of the relevant Borrower to Wachovia pursuant to SECTION 2.18 with respect to Letters of Credit.

"Related Fund" means, with respect to any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by the same investment advisor as such Lender.

"Required Lenders" means at any time Lenders holding Commitment Percentages equal to at least (x) so long as there are 3 or fewer Lenders, 100%, (y) otherwise, 66 2/3's% of the aggregate amount of the Commitments or, if the Commitments are no longer in effect, Lenders holding at least (1) so long as there are 3 or fewer Lenders, 100%, (2) otherwise, 66 2/3's%, of the aggregate outstanding principal amount of the Working Capital Obligations and the Term Loans; provided, however, that such calculation shall be made without including the Commitment of or principal amount of Notes held by any Lender which is in default with respect to its obligations to the Agent, any Borrower or any Lender. As of the Closing Date, the Lenders have the following Commitment Percentages: (i) Wachovia, 45.767%; (ii) Bank of America, N.A., 19.821% and (iii) The Prudential Insurance Company of America, 34.412%.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Parent's Capital Stock or Redeemable Preferred Stock (except dividends to the existing holders thereof payable solely in shares of its Capital Stock or Redeemable Preferred Stock), or (ii) any payment on account of the purchase, redemption, retirement, defeasance, or other acquisition of or sinking fund for (a) any shares of the Parent's Capital Stock or Redeemable Preferred Stock (except shares acquired upon the conversion thereof into other shares of its Capital Stock or Redeemable Preferred Stock), or (b) any option, capital appreciation rights, stock appreciation rights, warrant or other right to acquire shares of the Parent's Capital Stock or Redeemable Preferred Stock, or (iii) any payment prior to the scheduled maturity of any Subordinated Debt or other Debt (other than the Obligations) of the Parent or any Borrower.

"Revolving Loan" means the revolving loans (and Settlement Loans) to be made by all of the Lenders in accordance with SECTION 2.01(a).

"Revolving Loan Commitment" means, (i) as of the Closing Date, the commitment of each Lender party hereto as of the Closing Date to make available its portion of the Revolving Loans up to the amount of the Revolving Loan Commitment set forth opposite its name on the signature pages hereof; and (ii) as to any Lender which enters into any Assignment and Acceptance as permitted by SECTION 10.08 (whether as transferor Lender or as Assignee thereunder), the amount of such Lender's Revolving Loan Commitment after giving effect to

such Assignment and Acceptance, in each case as such amount may be reduced from time to time pursuant to SECTIONS 2.07 and 2.08.

"Revolving Loan Notes" means the promissory notes of the Borrowers substantially in the form of EXHIBIT A-1, evidencing the obligation of the Borrowers to repay Revolving Loans, together with all amendments, consolidations, modifications, renewals and supplements thereto.

"Revolving Loan Termination Date" means the earliest to occur of: (i) [June 30], 2004, (ii) the date the Revolving Loan Commitments are terminated pursuant to SECTION 6.01 following the occurrence of an Event of Default, or (iii) the date the Borrowers terminate the Revolving Loan Commitments entirely pursuant to SECTION 2.07.

"Scheduled Principal Reduction Amount" means, for each Annual Period, the aggregate amount of principal payments required to be made on the Term Loans for such Annual Period, subject to deferment of the Deferred Principal Amount, if any, for such Annual Period pursuant to SECTION 2.01(c), which Scheduled Principal Reduction Amount shall be: (i) for the Annual Period ending on June 30, 2002, $2,000,000; and (ii) for each Annual Period thereafter, $3,000,000.

"Security Agreement" means the Amended and Restated Security Agreement of even date herewith executed and delivered by the Borrowers, as amended or supplemented from time to time, which is an amendment and restatement of the Original Security Agreement.

"Security Documents" means this Agreement, the Blocked Account Agreements, the Domestic Stock Pledge Agreement, the Foreign Stock Pledge Agreement, the Security Agreement, the Mortgages, and the Waiver Agreements.

"Senior Debt/EBITDA Ratio" means the ratio of Consolidated Senior Debt to Consolidated EBITDA.

"Senior Officer" means any of the following officers of Parent, regardless of actual title: Chief Executive Officer; Chief Operating Officer; and Chief Financial Officer.

"Senior Subordinated Notes" means the Notes issued pursuant to the Senior Subordinated Notes Purchase Agreement.

"Senior Subordinated Notes Purchase Agreement" means the Subordinated Note and Warrant Purchase Agreement dated as of even date herewith by and among the Parent, as issuer of the Senior Subordinated Notes and the warrants described therein, and Wachovia, Bank of America, N.A. and The Prudential Insurance Company of America, as the purchasers.

"Settlement Date" has the meaning set forth in SECTION 2.01(b)(i).

"Settlement Loan" means a Loan made by Wachovia pursuant to SECTION 2.01(b), which must be a Base Rate Loan.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

"Stockholders' Equity" means, at any time, the shareholders' equity of the Parent and the Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Parent and the Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Parent or any of the Subsidiaries. Shareholders' equity generally would include, but not be limited to (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) translation adjustments for foreign currency transactions.

"Subordinated Debt" means any Debt, including, without limitation, all Debt evidenced by the Senior Subordinated Notes, which is unsecured or, in the case of the Senior Subordinated Notes, secured by a Lien

second in priority to the Lien of the Collateral Agent against the Collateral, of any Borrower or any Subsidiary to any Person which, by written agreement, has been subordinated in right of payment and claim (and Lien, as to the Senior Subordinated Notes), to the rights and claims (and Lien, as to the Senior Subordinated Notes) of the Collateral Agent, the Lenders and Wachovia in respect of the Obligations, on terms and conditions reasonably satisfactory to the Required Lenders (which shall include the obligation to notify the Agent of any default with respect to such Subordinated Debt).

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Parent.

"Syndicated Loans" means the Revolving Loan, other than Settlement Loans.

"Taxes" has the meaning set forth in SECTION 2.11(c).

"Term Loan" means the term loans to be made by all of the Lenders in accordance with SECTION 2.01(c).

"Term Loan Commitment" means the commitment of each Lender to make its portion of the Term Loan, in the amount of the Term Loan Commitment set forth opposite its name on the signature pages hereof, the aggregate of all such Term Loan Commitments as of the Closing Date being $14,000,000.

"Term Loan Notes" means the promissory notes of the Borrowers, substantially in the form of EXHIBIT A-2, evidencing the obligation of the Borrowers to repay the Term Loans, together with all amendments, consolidations, modifications, renewals and supplements thereto.

"Term Loan Maturity Date" means the earliest to occur of (i) [June 30], 2006, (ii) the date the Term Loan is declared to be immediately due and payable pursuant to SECTION 6.01 following the occurrence of an Event of Default and (iii) the date the Term Loan is prepaid in full.

"Third Party" means any landlord, warehousemen, servicer, processor, bailee and other third parties which may, from time to time, be in the possession or control of, any Collateral or any property on which any Collateral is or may be located.

"Third Party Claims" means claims of Third Parties against any Borrower for rent, storage, maintenance, repair, processing, servicing or bailment in respect of any Collateral or any property on which any Collateral is or may be located.

"Trade Styles" has the meaning set forth in SECTION 4.30.

"Transferee" has the meaning set forth in SECTION 10.08(d).

"UCC" shall mean the Uniform Commercial Code Secured Transactions of Georgia (O.C.G.A. Art. 11-9) (or, if the law of a different state is selected in any Security Document as the governing law for purposes of such Security Document, the Uniform Commercial Code Secured Transactions of such other state as to such Security Document) as in effect on the date hereof.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Unused Revolving Loan Commitment" means at any date, (a) with respect to all Lenders, an amount equal to the Aggregate Revolving Loan Commitments less the Working Capital Obligations and (b) with respect to any Lender, an amount equal to the aggregate Unused Revolving Loan Commitments

determined in clause (a) above multiplied by such Lender's Commitment Percentage.

"Wachovia" means Wachovia Bank, N.A., a national banking association, and its successors.

"Wachovia Letter of Credit" means any letter of credit issued or to be issued by Wachovia.

"Waiver Agreement" means a Waiver and Agreement substantially in the form of EXHIBIT J, with any changes as may be acceptable to the Required Lenders in their sole discretion, executed and delivered by any Third Party waiving or subordinating its Third Party Claims, and making certain other agreements in regard to the Collateral, all on terms satisfactory to the Collateral Agent in all respects.

"Wholly Owned Subsidiary" means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Parent.

"Working Capital Obligations" means the sum at any time of (i) the Aggregate Revolving Loan Amount Outstanding and (ii) the Letter of Credit Obligations.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Certified Public Accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Parent and the Subsidiaries delivered to the Lenders unless with respect to any such change concurred in by the Certified Public Accountants or required by GAAP, in determining compliance with any of the provisions of this Agreement or any of the other Credit Documents: (i) the Parent shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Required Lenders shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under SECTION 5.01 hereof, means the financial statements referred to in SECTION 4.04). The Parent shall notify the Lenders promptly upon its learning thereof of any such change concurred in by the Certified Public Accountants or otherwise required by a change in GAAP.

SECTION 1.03. References. Unless otherwise indicated, references in this Agreement to "articles", "exhibits", "schedules", "sections" and other subdivisions are references to articles, exhibits, schedules, sections and other subdivisions hereof.

SECTION 1.04. Use of Defined Terms. All terms defined in this Agreement shall have the same defined meanings when used in any of the other Credit Documents, unless otherwise defined therein or unless the context shall require otherwise. The terms "accounts", "chattel paper", "deposit accounts", "equipment" "fixtures", "general intangibles", "instruments", "inventory", "investment property", and "letter-of-credit-rights" as and when used herein and in the other Credit Documents, shall have the same meanings given such terms under the UCC.

SECTION 1.05. Terminology. The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding." Unless and to the extent otherwise expressly provided herein, the

term "pro rata" when applied to a Lender means such Lender's Commitment Percentage. The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references to any of the Credit Documents shall include any and all amendment or modifications thereto and any and all restatements, extensions or renewals thereof. All references to any Person shall mean and include the successors and permitted assigns of such Person. All references to "including" and

"include" shall be understood to mean "including, without limitation." All references to the time of day shall mean the time of day on the day in question in Atlanta, Georgia, unless otherwise expressly provided in this Agreement. A Default or an Event of Default shall be deemed to exist at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing pursuant to this Agreement or, in the case of a Default, is cured within any period of cure expressly provided in this Agreement; and an Event of Default shall "continue" to be "continuing" until such Event of Default has been waived in writing by Agent. Whenever the phrase "to the best of any Borrower's knowledge" or words of similar import relating to the knowledge or the awareness of any Borrower are used herein, such phrase shall mean and refer to (i) the actual knowledge of a [Senior Officer] of a Borrower or (ii) the knowledge that a Senior Officer would have obtained if he had engaged in a good faith and diligent performance of his duties, including the making of such reasonable specific inquiries as may be necessary of the officers, employees or agents of any Borrower or Subsidiary and a good faith attempt to ascertain the existence or accuracy of the matter to which such phrase relates. All calculations of money values shall be in Dollars, all Loans made hereunder shall be funded in Dollars, and all amounts payable in respect of any of the Obligations shall be paid in Dollars. Any Lien referred to in this Agreement or any of the other Credit Documents as having been created in favor of the Collateral Agent, any agreement entered into by the Agent or the Collateral Agent pursuant to this Agreement or any of the other Credit Documents, any payment made by or to or funds received by the Agent or the Collateral Agent pursuant to or as contemplated by any of the Credit Documents, or any other act taken or admitted to be taken by the Agent or the Collateral Agent shall, unless otherwise expressly provided, be created, entered into, made or received or taken or omitted, for the benefit or account of the Agent or the Collateral Agent, as applicable, and the Lenders.

ARTICLE 2
THE CREDITS

SECTION 2.01. Commitments to Lend.

(a) Revolving Loans. Each Lender severally agrees, on the terms and conditions set forth herein, to make Revolving Loans to the Borrowers from time to time before the Revolving Loan Termination Date; provided that, immediately after each such Revolving Loan is made,

(A) the sum of (1) the Revolving Loans outstanding of each Lender plus (2) such Lender's Commitment Percentage of the Letter of Credit Obligations, will not exceed such Lender's Revolving Loan Commitment, and

(B) the Working Capital Obligations, will not exceed the lesser of (1) the amount of the Aggregate Revolving Loan Commitments, and (2) the aggregate amount of the Borrowing Base (subject, however, to Overadvance Loans made pursuant to SECTION 2.01(d));

(C) Each Syndicated Borrowing under this SECTION 2.01(a) or SECTION 2.01(c) shall be in an aggregate principal amount of (x) for

Euro-Dollar Loans, $2,000,000 or any larger integral multiple of $1,000,000, and (y) for Base Rate Loans, $250,000 or any larger integral multiple of $100,000 (except that any Revolving Loan Borrowing may be in the aggregate amount of the Unused Revolving Loan Commitments or the amount of the Excess Borrowing Availability, whichever is lesser) and shall be made from the several Lenders ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrowers may borrow under this SECTION, repay or, to the extent permitted by SECTION 2.03, prepay Revolving Loans and reborrow under this SECTION at any time before the Revolving Loan Termination Date.

(b) Settlement Loans.

(i) In order to facilitate the administration of the Revolving Loans under this Agreement, the Lenders agree (which agreement shall not be for the benefit of or enforceable by any Borrower) that settlement among the Lenders with respect to the Revolving Loans up to an aggregate principal amount outstanding at any time of $2,000,000 may take place on a periodic basis on Friday of each week or on such other dates determined from time to time by the Agent (each a "Settlement Date"), which may occur before or after the occurrence or during the continuance of a Default or Event of Default, provided that any such Settlement Loan for which settlement is to be made must have been advanced in accordance with subsection (ii). On each Settlement Date, payment shall be made by or to each Lender in the manner provided herein and in accordance with the Settlement Report delivered by the Agent to the Lenders with respect to such Settlement Date so that, as of each Settlement Date, each Lender shall hold its Commitment Percentage of all Revolving Loans then outstanding.

(ii) Between Settlement Dates, the Agent may request Wachovia to advance, and Wachovia may, but shall in no event be obligated to, advance to any Borrower out of Wachovia's own funds the entire principal amount of any Revolving Loan Borrowings that are Base Rate Loans requested or deemed requested pursuant to this Agreement (any such Revolving Loan funded exclusively by Wachovia being referred to as a "Settlement Loan"). Each Settlement Loan shall constitute a Revolving Loan hereunder and shall be subject to all of the terms, conditions and security applicable to other Revolving Loans, except that all payments thereon shall be payable to Wachovia solely for its own account. The obligation of any Borrower to repay such Settlement Loans to Wachovia shall be evidenced by the records of Wachovia and need not be evidenced by any promissory note. The Agent shall not request Wachovia to make, and Wachovia shall not make, any Settlement Loan if (a) the Agent shall have received written notice from any Lender that one or more of the applicable conditions precedent set forth in ARTICLE 9 hereof will not be satisfied on the requested funding date for the applicable Borrowing, (b) the requested Borrowing would exceed the amount of Revolving Loans permitted to be made under SECTION 2.01(a) or (c) the amount thereof is in excess of $500,000 and any Default or Event of Default is in existence. Wachovia shall not otherwise be

required to determine whether the applicable conditions precedent set forth in ARTICLE 9 hereof have been satisfied or the requested Borrowing would exceed the amount of

Revolving Loans permitted to be made under SECTION 2.01(a) prior to making, in its sole discretion, any Settlement Loan. On each Settlement Date, or, if earlier, upon demand by the Agent for payment thereof, the then outstanding Settlement Loans shall be immediately due and payable. Each Borrower shall be deemed to have requested Revolving Loans to be made on each Settlement Date in the amount of all outstanding Settlement Loans and the proceeds of such Revolving Loans shall be applied to the repayment of such Settlement Loans. The Agent shall notify the Lenders of the outstanding balance of Revolving Loans prior to 12:00 noon, Atlanta, Georgia time, on such funding date. The proceeds of Settlement Loans may be used solely for purposes for which Revolving Loans may be used in accordance with SECTION 5.06 hereof. If any amounts received by Wachovia in respect of any Settlement Loans are later required to be returned or repaid by Wachovia to any Borrower or their respective representatives or successors-in-interest, whether by court order, settlement or otherwise, each Lender shall, upon demand by Wachovia with notice to Agent, pay to Agent for the account of Wachovia an amount equal to such Lender's Commitment Percentage of all such amounts required to be returned by Wachovia.

(c) Term Loans. On the Closing Date, on the terms and conditions set forth herein, each Lender severally agrees, to lend (by refinancing amounts outstanding under the Refinanced Agreements), a Term Loan in the aggregate amount of its Term Loan Commitment. The Term Loans by the Lenders shall be made on the Closing Date. On each Quarterly Payment Date, the Borrowers shall pay to the Agent, for the ratable account of the Lenders, an amount equal to the Minimum Principal Reduction Amount applicable to such Quarterly Payment Date, together with all accrued but unpaid interest on the Term Loans at the Cash Contract Rate. Within 90 days after the end of each Annual Period, the Parent shall deliver to each of the Lenders a certificate in the form of EXHIBIT R (a "Consolidated Excess Cash Flow Certificate"), showing the calculation of Consolidated Excess Cash Flow for the Annual Period then ended, and make a payment on account of the Term Loans to the Agent, for the ratable account of the Lenders, in an amount equal to the lesser of:

(i) the sum of (A) Contingent Interest which has accrued during the Annual Period just ended but not paid, plus (B) the Scheduled Principal Reduction Amount for such Annual Period; minus (C) the Minimum Principal Reduction Amounts paid during such Annual Period; and

(ii) 100% of such Consolidated Excess Cash Flow for such Annual Period.

If 100% of such Consolidated Excess Cash Flow is paid pursuant to clause (ii) above, the amount of such payment shall be applied: (x) first to the outstanding principal of the Term Loans, up to the sum of the amounts described in (B), less (C) of clause (i) above, and (y) then any amount remaining after payment of such amount on account of the Term Loans shall be applied to Contingent Interest which has accrued during the Annual Period just ended but not paid. In such

event, an amount (the "Deferred Principal Amount") equal to the sum of: (1) the Scheduled Principal Reduction Amount for such Annual Period; minus (2) the Minimum Principal Reduction Amounts paid during such Annual Period, minus (3) the amount, if any, of Consolidated Excess Cash Flow applied to the outstanding principal of the Term Loans pursuant to clause (x) of the immediately preceding sentence for such Annual Period, shall be deferred and paid on the Term Loan Maturity Date. The Term Loans may not be prepaid before the Term Loan Maturity Date, except (x) as permitted by all of the Lenders in the exercise of their sole discretion, subject to any compensation payments required by SECTION 8.05, and (y) in connection with prepayments required by SECTION 2.10(c), subject to any compensation payments required by SECTION 8.05.

On the Term Loan Maturity Date, a final payment shall be made with respect to the Term Loans in an amount equal to the remaining outstanding principal amount

of the outstanding Term Loans (including the aggregate of all Deferred Principal Amounts), together with all accrued but unpaid interest thereon at the Cash Contract Rate, and all Contingent Interest which has accrued since the Closing Date but not paid. Principal amounts of the Term Loans repaid or prepaid may not be reborrowed and may not be voluntarily repaid or prepaid in whole or in part from proceeds of a Revolving Loan or from proceeds of a refinancing, or in contemplation of a refinancing, by a third party lender of the Term Loans without the consent of all of the Lenders.

(d) Overadvance Loans. Notwithstanding the existence of a Default or an Event of Default or any other provision of this Agreement to the contrary, provided the Commitments have not been terminated pursuant to SECTION 6.01 and the Agent has not been directed otherwise by any 2 Lenders, the Agent may, from time to time, in the exercise of its sole discretion, advance Revolving Loans on behalf of the Lenders and/or Settlement Loans in an aggregate amount up to the lesser of (x) the Unused Revolving Loan Commitment, and (y) an amount not greater than $500,000 in excess of the amount of the Borrowing Base (each such Loan made under this paragraph (d) is herein referred to as an "Overadvance Loan"), provided, however, that each Overadvance Loan made pursuant to this SECTION 2.01(d) shall (1) become due and payable in full on or before the date which is 10 Business Days after such Overadvance Loan is made, and (2) not be made during any period longer than 10 Business Days after the date on which such first Overadvance Loan was made in excess of the Borrowing Base under this SECTION 2.01(d).

SECTION 2.02. Method of Borrowing Revolving Loans

(a) The Borrowers shall give the Agent notice (a "Notice of Borrowing"), which shall be substantially in the form of EXHIBIT E, prior to (x) as to Base Rate Loans, 11:00 A.M. (Atlanta, Georgia time) on the Domestic Business Day of such Base Rate Borrowing, and (y) as to Euro-Dollar Loans, 11:00 A.M. (Atlanta, Georgia time), at least 3 Euro-Dollar Business Days before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount of such Borrowing,

(iii) whether the Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans, and

(iv) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

(b) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share of such Borrowing, unless it is advanced as a Settlement Loan Borrowing, and such Notice of Borrowing, once received by the Agent, shall not thereafter be revocable by the Borrowers.

(c) Not later than (a) as to Euro-Dollar Borrowings, 11:00 A.M. (Atlanta, Georgia time), and (b) as to Base Rate Borrowings, 2:00 P.M. (Atlanta, Georgia time) on the date of each Syndicated Borrowing, each Lender shall (except as provided in paragraph (d) of this SECTION) make available its ratable share of such Syndicated Borrowing, in federal or other funds immediately available in Atlanta, Georgia, to the Agent at its address determined pursuant to SECTION 10.01. Unless the Agent determines that any applicable condition specified in ARTICLE 9 has not been satisfied, the Agent will make the funds so received from the Lenders available to the Borrowers at the Agent's aforesaid address. Unless the Agent receives notice from a Lender, at the Agent's address referred to in or specified pursuant to SECTION 10.01, no later than 4:00 P.M. (local time at such address) on the Domestic Business Day before the date of a Syndicated Borrowing stating that such Lender will not make a Syndicated Loan in connection with such Syndicated Borrowing, the Agent shall be entitled to assume that such Lender will make a Syndicated Loan in

connection with such Syndicated Borrowing and, in reliance on such assumption, the Agent may (but shall not be obligated to) make available such Lender's ratable share of such Syndicated Borrowing to the Borrowers for the account of such Lender. If the Agent makes such Lender's ratable share available to the Borrowers and such Lender does not in fact make its ratable share of such Syndicated Borrowing available on such date, the Agent shall be entitled to recover such Lender's ratable share from such Lender or the Borrowers (and for such purpose shall be entitled to charge such amount to any account of the Borrowers maintained with the Agent), together with interest thereon for each day during the period from the date of such Syndicated Borrowing until such sum shall be paid in full at a rate per annum equal to the rate at which the Agent determines that it obtained (or could have obtained) overnight federal funds to cover such amount for each such day during such period, provided that (i) any such payment by the Borrowers of such Lender's ratable share and interest thereon shall be without prejudice to any rights that the Borrowers may have against such Lender and (ii) until such Lender has paid its ratable share of such Syndicated Borrowing, together with interest pursuant to the foregoing, it will have no interest in or rights with respect to such Syndicated Borrowing for any purpose hereunder. If the Agent does not exercise its option to advance funds for the account of such Lender, it shall forthwith notify the Borrowers of such decision.

(d) If any Lender makes a new Syndicated Loan hereunder on a day on which any Borrower is to repay all or any part of an outstanding Syndicated Loan from such Lender, such Lender shall apply the proceeds of its new Syndicated Loan to make such repayment as a Refunding Loan and only an amount equal to the difference (if any) between the amount being borrowed and the amount of such Refunding Loan shall be made available by such Lender to the

Agent as provided in paragraph (c) of this SECTION, or remitted by such Borrower to the Agent as provided in SECTION 2.11, as the case may be.

(e) Notwithstanding anything to the contrary contained in this Agreement, the Lenders shall not be obligated to make any Euro-Dollar Loans if there shall have occurred a Default or an Event of Default, which Default or Event of Default shall not have been cured or waived, and all Refunding Loans shall be made as Base Rate Loans (but shall bear interest at the Default Rate, if applicable). Nothing in the preceding sentence shall obligate, or be deemed to obligate, any of the Lenders to make any Loans at all during the existence of an Event of Default, other than (i) Refunding Loans in the event that the Obligations have not been accelerated pursuant to SECTION 6.01, and (ii) advances on any Settlement Date of a Lender's Commitment Percentage of Settlement Loans or Overadvance Loans made prior to the termination of the Commitments pursuant to SECTION 6.01.

(f) In the event that a Notice of Borrowing fails to specify whether the Syndicated Loans comprising such Syndicated Borrowing are to be Base Rate Loans or Euro-Dollar Loans, such Syndicated Loans shall be made as Base Rate Loans. If the Borrowers are otherwise entitled under this Agreement to repay any Syndicated Loans maturing at the end of an Interest Period applicable thereto with the proceeds of a new Borrowing, and the Borrowers fail to repay such Syndicated Loans using its own moneys and fails to give a Notice of Borrowing in connection with such new Syndicated Borrowing, a new Syndicated Borrowing shall be deemed to be made on the date such Syndicated Loans mature in an amount equal to the principal amount of the Syndicated Loans so maturing, and the Syndicated Loans comprising such new Syndicated Borrowing shall be Base Rate Loans.

(g) Notwithstanding anything to the contrary contained herein, there shall not be more than 6 Euro-Dollar Borrowings outstanding at any given time.

SECTION 2.03. Notes.

(a) The Revolving Loans of each Lender shall be evidenced by a single Revolving Loan Note payable to the order of such Lender for the account of its Lending Office in an amount equal to the original principal amount of such Lender's Revolving Loan Commitment. The Term Loans of each Lender shall be evidenced by a single Term Loan Note payable to the order

of such Lender for the account of its Lending Office in an amount equal to the original principal amount of such Lender's Term Loan Commitment.

(b) Upon receipt of each Lender's Notes pursuant to SECTION 9.01, the Agent shall deliver such Notes to such Lender. Each Lender will record either on its own books and records or on Schedules attached to its Notes, at its option, and prior to any transfer of its Notes will transfer a copy of the relevant portions of its books and records or endorse on such schedules attached to its Notes appropriate notations to evidence the date, amount and maturity of, and effective interest rate for, each Loan made by it, and the date and amount of each payment of principal made by the Borrowers with respect thereto. Such records, whether on the Lender's books and records or on Schedules to the Notes will constitute prima facie evidence, in the absence of manifest error, of the respective principal amounts owing and unpaid on such Lender's Notes; provided that the failure of any Lender to make, or any error in making, any such

recordation or endorsement shall not affect the obligation of the Borrowers hereunder or under the Notes or the ability of any Lender to assign its Notes. Each Lender is hereby irrevocably authorized by the Borrowers so to endorse its Notes, in the event such option is elected by such Lender, and to attach to and make a part of any Note a continuation of any such Schedule as and when required.

(c) The Agent shall maintain on its books a control account for the Borrowers in which shall be recorded (i) the date, amount, effective interest rate and maturity of each Revolving Loan, Settlement Loan and Term Loan made hereunder to the Borrowers, (ii) the amount of any principal, interest or fees due or to become due from the Borrowers on the Revolving Loans, the Settlement Loans and the Term Loans and (iii) the amount of any sum received by the Agent hereunder in respect of any such principal, interest or fees due on the Revolving Loans, Settlement Loans and Term Loans and each Lender's Commitment Percentage thereof.

(d) The entries made in the accounts pursuant to paragraph (c) above shall be prima facie evidence, in the absence of manifest error, of the existence and amounts of the Obligations of the Borrowers therein recorded and any payments thereon, and in case of discrepancy between such accounts and the schedules to the Notes maintained by any Lender pursuant to paragraph (b) or between such accounts and the books and records of the Borrowers, in the absence of manifest error, the control account maintained by the Agent pursuant to paragraph (c) above shall be controlling with respect to Revolving Loans, Settlement Loans and Term Loans.

SECTION 2.04. Maturity of Revolving Loans.

(a) Each Loan included in any Euro-Dollar Borrowing will mature, and the principal amount thereof will be due and payable, on the last day of the Interest Period applicable to such Borrowing, subject to the advance of a Refunding Loan, unless such Loan will be due and payable prior thereto by reason of the provisions of this Agreement (including, without limitation, SECTION 6.01).

(b) Notwithstanding the foregoing, the outstanding principal amount of all Revolving Loans, if any, together with all accrued but unpaid interest thereon, if any, shall be due and payable on the Revolving Loan Termination Date.

SECTION 2.05. Interest Rates on Revolving Loans.

(a) "Applicable Margin" means, with respect to Revolving Loans, (x) for any Base Rate Loan, 1.0%, and (y) for any Euro-Dollar Loan, 2.75%.

(b) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day plus the Applicable Margin. Such interest shall be payable in arrears on the last day of each month. Any overdue principal of and, to the extent

permitted by applicable law, overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin plus the applicable Adjusted London Interbank Offered Rate for such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 1 month, at monthly intervals on the last day of each calendar month. Any overdue principal of and, to the extent permitted by law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Euro-Dollar Loan means for the Interest Period of such Euro-Dollar Loan, the rate per annum determined on the basis of the offered rate for deposits in Dollars of amounts equal or comparable to the principal amount of such Euro-Dollar Loan offered for a term comparable to such Interest Period, which rates appear on the Telerate Page 3750 effective as of 11:00 A.M., London time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period, provided that if no such offered rates appear on such page, the "London Interbank Offered Rate" for such Interest Period will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than 2 major banks in New York City, selected by the Agent, at approximately 10:00 A.M., New York City time, 2 Euro-Dollar Business Days prior to the first day of such Interest Period, for deposits in Dollars offered by leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Euro-Dollar Loan.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in respect of "eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(d) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrowers and the Lenders by telecopier of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(e) After the occurrence and during the continuance of a Default or an Event of Default, the principal amount of the Loans (and, to the extent permitted by applicable law, all accrued interest thereon) may, at the election of the Required Lenders, bear interest at the Default Rate from the date of such Default or Event of Default (which date with respect to

SECTION 5.20 shall be deemed to occur on the date such Default or Event of Default occurred, not the date of delivery of the Compliance Certificate).

SECTION 2.06. Fees.

(a) The Borrowers shall pay to the Agent, for the ratable account of each Lender, a commitment fee (the "Commitment Fee"), calculated on the average daily amount of such Lender pro rata share of the Unused Revolving Loan Commitment (without taking into account any Settlement Loans), at a rate per annum equal to 0.50%, and payable in arrears on each Quarterly Payment Date.

(b) The Borrowers shall pay to the Agent, for the account and sole benefit of the Agent, an annual administration fee in the amount of $25,000, payable on the Closing Date and on each anniversary thereof.

SECTION 2.07. Optional Termination or Reduction of Revolving Loan Commitments. The Borrowers may, upon at least 3 Domestic Business Days' prior written notice to the Agent, terminate the Commitments in their entirety at any time, or upon at least 3 Domestic Business Days' prior written notice to the Agent, proportionately reduce the Unused Revolving Loan Commitments from time to time by an aggregate amount of at least $2,000,000 or any larger integral multiple of $1,000,000, so long as such reduction shall not cause the Aggregate Revolving Loan Commitments to be reduced below $1,000,000 (unless terminated in their entirety). If the Revolving Loan Commitments are terminated in their entirety, all accrued fees (as provided under SECTION 2.06) shall be due and payable on the effective date of such termination and the Borrowers shall pledge in favor of the Collateral Agent cash collateral equal to at least 110% of the outstanding Letter of Credit Obligations, if any.

SECTION 2.08. Mandatory Reduction and Termination of Revolving Loan Commitments. The Commitments shall terminate on the Revolving Loan Termination Date and any Revolving Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date and the Borrowers shall pledge in favor of the Collateral Agent cash collateral equal to at least 110% of the outstanding Letter of Credit Obligations, if any.

SECTION 2.09. Optional Prepayments of Revolving Loans.

(a) Upon notice to the Agent prior to 11:00 A.M. (Atlanta, Georgia time) on the same Domestic Business Day, the Borrowers may prepay any Loan which is a Base Rate Borrowing in whole at any time, or from time to time in part in amounts aggregating at least $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Base Rate Loans of the several Lenders included in such Base Rate Borrowing.

(b) Euro-Dollar Loans may not be prepaid (whether as new advances of Loans or Refunding Loans) before the end of the Interest Period applicable to such Loans, except (i) as permitted by all of the Lenders in the exercise of their sole discretion, subject to any compensation payments required by SECTION 8.05, and (ii) in connection with prepayments required by SECTION 2.10(c), subject to any compensation payments required by SECTION 8.05, unless the amount of such prepayment is deposited with the Collateral Agent as cash

collateral to secure the Obligations with the direction and authorization given to the Collateral Agent to apply such cash collateral toward payment of such Euro-Dollar Loan at the end of such Euro-Dollar Loan's Interest Period.

(c) Upon receipt of a notice of prepayment pursuant to this SECTION 2.09, the Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share of such prepayment (except with respect to Settlement Loans, unless the Lenders have purchased interests therein pursuant to SECTION 2.01(b)) and such notice, once received by the Agent, shall not thereafter be revocable by the Borrowers.

(d) In the event that any Loan is prepaid on the same day such Loan was advanced, interest hereunder on such Loan shall be due and payable for that day.

SECTION 2.10. Mandatory Prepayments.

(a) On each date on which the Revolving Loan Commitments are reduced pursuant to SECTION 2.07 or SECTION 2.08, the Borrowers shall repay or prepay such principal amount of the outstanding Revolving Loans, if any (together with interest accrued thereon and any amount due under SECTION 8.05(a)), as may be necessary so that after such payment the aggregate unpaid amount of the Working Capital Obligations does not exceed the aggregate amount of the Revolving Loan Commitments as then reduced.

(b) On each date on which the Working Capital Obligations exceed the Borrowing Base plus the amount of any permitted Overadvance Loans, the Borrowers shall immediately repay or prepay such principal amount of the outstanding Revolving Loans, if any (together with interest accrued thereon and any amount due under SECTION 8.05(a)), as may be necessary so that after such payment the Working Capital Obligations do not exceed the Borrowing Base. Each such payment or prepayment shall be applied ratably to the Revolving Loans of the Lenders outstanding on the date of payment or prepayment in the following order of priority: (i) first, to Settlement Loans; (ii) secondly, to Base Rate Loans which are not Settlement Loans; and, (iii) lastly, to Euro-Dollar Loans.

(c) Contemporaneously upon receipt of Net Cash Proceeds (except during the existence of a Default or Event of Default, in which case SECTION 2.11(e) shall govern the receipt of Net Cash Proceeds, among other things), the Borrowers shall pay to the Agent an amount equal to: (i) 100% of all net amounts paid to any Borrower by a Permitted Factor with respect to Factored Accounts (to the extent not paid directly to the Collateral Agent pursuant to the relevant Assignment of Factoring Credit Balances), and the sum of (x) 100% of Net Cash Proceeds from the disposition of assets other than Factored Accounts, except as provided in clause (y) below, plus (y) 100% of the Net Cash Proceeds from the disposition of Equipment Collateral, to the extent such Net Cash Proceeds are not used to replace such disposed Equipment Collateral with new Equipment Collateral pursuant to SECTION 5.32; and (ii) 100% of the Net Cash Proceeds from the issuance of Capital Stock or Redeemable Preferred Stock. Such prepayment (other than from amounts payable to any Borrower by a Permitted Factor with respect to Factored Accounts) shall be accompanied by a detailed calculation showing all deductions from gross proceeds in order to arrive at Net Cash Proceeds, as well as amounts used or reserved for the purchase of replacement Equipment Collateral, if applicable. All such

prepayments made from amounts payable to any Borrower by a Permitted Factor shall be applied to Revolving Loans which are Base Rate Loans, and then to Euro-Dollar Loans. All such other prepayments shall be applied first, to the Term Loans in the inverse order of maturities, then secondly, to Revolving Loans which are Base Rate Loans, and lastly to Euro-Dollar Loans, in each case together with any compensation payments required by SECTION 8.05. Notwithstanding the foregoing, however, the consent of the Required Lenders shall be required pursuant to SECTION 6.01(k) in respect of the issuance of any Capital Stock or Redeemable Preferred Stock which otherwise would result in a Default or Event of Default thereunder.

SECTION 2.11. General Provisions as to Payments.

(a) The Borrowers shall make each payment of principal of, and interest on, the Loans and of fees hereunder, without any setoff, counterclaim or any deduction whatsoever, not later than 11:00 A.M. (Atlanta, Georgia time) on the date when due, in federal or other funds immediately available in Atlanta, Georgia, to the Agent at its address referred to in SECTION 10.01. All payments received by the Agent after 11:00 A.M. (Atlanta, Georgia time) on any Business Day shall be deemed to be received on the following Business Day. The Agent will promptly distribute to each Lender its ratable share of each such payment received by the Agent for the account of the Lenders.

(b) Whenever any payment of principal of, or interest on, the Base Rate Loans or Term Loans or of fees hereunder shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of

principal of or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Notwithstanding the foregoing, all interest and principal on account of all Revolving Loans shall be due and payable on the Revolving Loan Termination Date, and all interest and principal on account of the Term Loans shall be due and payable on the Term Loan Maturity Date.

(c) All payments of principal, interest and fees and all other amounts to be made by the Borrowers with respect to the Obligations or otherwise (including, without limitation, with respect to the Letter of Credit Obligations) pursuant to this Agreement shall be paid without deduction for, and free from, any tax, imposts, levies, duties, deductions, or withholdings of any nature now or at anytime hereafter imposed by any governmental authority or by any taxing authority thereof or therein excluding in the case of each Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, imposts, levies, duties, deductions or withholdings of any nature being "Taxes"). In the event that the Borrowers are required by applicable law to make any such withholding or deduction of Taxes with respect to any of the Obligations, the Borrowers shall pay such deduction or withholding to the applicable taxing authority, shall promptly furnish to any Lender in respect of which such deduction or withholding is made all receipts and other documents

evidencing such payment and shall pay to such Lender additional amounts as may be necessary in order that the amount received by such Lender after the required withholding or other payment shall equal the amount such Lender would have received had no such withholding or other payment been made. If no withholding or deduction of Taxes are payable in respect to any Obligations, the Borrowers shall furnish any Lender, at such Lender's request, a certificate from each applicable taxing authority or an opinion of counsel acceptable to such Lender, in either case stating that such payments are exempt from or not subject to withholding or deduction of Taxes. If the Borrowers fail to provide such original or certified copy of a receipt evidencing payment of Taxes or certificate(s) or opinion of counsel of exemption, the Borrowers hereby agree to compensate such Lender for, and indemnify them with respect to, the tax consequences of the Borrowers' failure to provide evidence of tax payments or tax exemption. Before making any claim pursuant to this SECTION, such Lender shall designate a different Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

Each Lender which is not organized under the laws of the United States or any state thereof agrees, as soon as practicable after receipt by it of a request by the Borrowers to do so, to file all appropriate forms and take other appropriate action to obtain a certificate or other appropriate document from the appropriate governmental authority in the jurisdiction imposing the relevant Taxes, establishing that it is entitled to receive payments with respect to the Obligations and interest thereon under this Agreement and the Notes without deduction and free from withholding of any Taxes imposed by such jurisdiction; provided that if it is unable, for any reason, to establish such exemption, or to file such forms and, in any event, during such period of time as such request for exemption is pending, the Borrowers shall nonetheless remain obligated under the terms of the immediately preceding paragraph.

In the event any Lender receives a refund of any Taxes paid by the Borrowers pursuant to this SECTION 2.11(c), it will pay to the Borrowers the amount of such refund promptly upon receipt thereof; provided that if at any time thereafter it is required to return such refund, the Borrowers shall promptly repay to it the amount of such refund.

Without prejudice to the survival of any other agreement of

the Borrowers hereunder, the agreements and obligations of the Borrowers and the Lenders contained in this SECTION 2.11(c) shall be applicable with respect to any Participant, Assignee or other Transferee, and any calculations required by such provisions (i) shall be made based upon the circumstances of such Participant, Assignee or other Transferee, and (ii) constitute a continuing agreement and shall survive the termination of this Agreement and the payment in full or cancellation of the Notes.

(d) Prior to the existence of a Default or Event of Default, all monies to be applied to the Obligations (except for proceeds collected in the Collateral Reserve Account which are applied as provided in SECTION 2.14) and except as otherwise expressly provided in this Agreement (including, without limitation, in SECTION 2.10), shall be allocated among the Agent and such of the Lenders as are entitled thereto (and, with respect to monies allocated to the Lenders in accordance with their Commitment Percentage unless otherwise provided herein) in the following order (in each case, until all Obligations within each category itemized in this paragraph (d) below are fully paid): (i) first, to the Agent to pay principal and accrued interest on

any portion of the Revolving Loans (including Settlement Loans and Overadvance Loans) which Agent may have advanced on behalf of any Lenders and for which Agent has not been reimbursed by such Lender or the Borrowers; (ii) second, to the Agent for its own benefit and/or the benefit of the Lenders, as applicable, in payment of principal of any Overadvance Loans; (iii) third, to Wachovia to pay the principal and accrued interest on any portion of the Settlement Loans outstanding; (iv) fourth, to the Agent for the benefit of the Lenders in payment of principal of other Revolving Loans; (v) fifth, to the Agent first, and then to the Lenders, to pay the amount of expenses that have not been reimbursed, respectively, to the Agent or the Lenders by the Borrowers (or the other Lenders, as applicable) in accordance with the terms of this Agreement, together with any interest accrued thereon; (vi) sixth, to the Agent to pay any amounts owed under indemnification obligations that have not been paid to Agent by the Lenders or the Borrowers, together with interest accrued thereon; (vii) seventh, to the Lenders for any amounts owed under indemnification obligations that they have paid to the Agent and for any expenses that they have reimbursed to the Agent; (viii) eighth, to the Agent to pay any fees due and payable to Agent; (ix) ninth, to the payment of Fees payable to any outstanding Letter of Credit Obligations then due and owing; (x) tenth, as cash collateral for any outstanding Letter of Credit Obligations equal to 110% of the undrawn amount thereof; (xi) eleventh, to payment of the Reimbursement Obligations; (xii) twelfth, to the Lenders in payment of accrued interest then due and payable in respect of any Obligations other than the Loans then outstanding; (xiii) thirteenth, to payment of principal of (1) first, with respect to the Loans, and (2) second, with respect to any obligations owing to any Lender with respect to any Interest Rate Protection Agreements, and (xiv) lastly, to any other Obligations then due and payable.

(e) During the existence of a Default or Event of Default and at all times after the Obligations have become due and payable, all monies to be applied to the Obligations, whether such monies represent voluntary payments by the Borrowers, Net Cash Proceeds, or are received pursuant to acceleration of the Loans or realized from any disposition of Collateral in accordance with the Intercreditor Agreement, shall be allocated among the Agent and such of the Lenders as are entitled thereto (and, with respect to monies allocated to the Lenders in accordance with their Commitment Percentage unless otherwise provided herein) in the following order (in each case, until all Obligations within each category itemized in this paragraph (e) below are fully paid): (i) first, to the Agent to pay principal and accrued interest on any portion of the Revolving Loans (including Settlement Loans and Overadvance Loans) which Agent may have advanced on behalf of any Lenders and for which Agent has not been reimbursed by such Lender or the Borrowers; (ii) second, to the Agent for its own benefit and/or the benefit of the Lenders, as applicable, in payment of principal of any Overadvance Loans; (iii) third, to Wachovia to pay the principal and accrued interest on any portion of the Settlement Loans outstanding; (iv) fourth, to the Agent for the benefit of the Lenders in payment of principal of other Revolving Loans, (v) fifth, to the Agent first, and then to the Lenders, to pay the amount of expenses that have not been reimbursed, respectively, to the Agent or the Lenders by the Borrowers (or the other Lenders, as applicable) in accordance with the terms of this

Agreement, together with any interest accrued thereon; (vi) sixth, to the Agent to pay any amounts owed under indemnification obligations that have not been paid to Agent by the Lenders or the Borrowers, together with interest accrued thereon; (vii) seventh, to the Lenders for any amounts owed under indemnification obligations that they have paid to the Agent and for any expenses that they have reimbursed to the Agent; (viii) eighth, to the Agent to pay any fees due and payable to Agent; (viii) eighth, to the payment of Fees payable to Letter of Credit Obligations; (ix) ninth, as cash

collateral for any Letter of Credit Obligations equal to 110% of the undrawn amount thereof; (x) tenth, to payment of the Reimbursement Obligations; (xi) eleventh, to the Lenders in payment of accrued interest then due and payable in respect of the Loans and any other Obligations then outstanding; (xii) twelfth, to payment of principal of (1) first, with respect to the Loans, and (2) second, with respect to any obligations owing to any Lender with respect to any Interest Rate Protection Agreements, and (xiii) lastly, to any other Obligations then due and payable. The allocations set forth in this SECTION 2.11(e) are solely to determine the rights and priorities of Agent and Lenders as among themselves and may be changed by Agent and Lenders without notice to or the consent or approval of the Borrowers or any other Person.

SECTION 2.12. Computation of Interest and Fees. Interest on Base Rate Loans based on the Base Rate, as well as the Cash Contract Rate and Contingent Interest, shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Interest on Euro-Dollar Loans will be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, calculated as to each Interest Period from and including the first day thereof to but excluding the last day thereof. Commitment fees and any other fees payable hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.13. All Loans to Constitute One Obligation. The Loans shall constitute one general Obligation of the Borrowers, on which each Borrower is jointly and severally liable, and shall be secured by the Liens on the Collateral in favor of the Collateral Agent; provided, however, that the Agent and each of the Lenders shall be deemed to be a creditor of each Borrower and the holder of a separate claim against each Borrower to the extent of all Obligations jointly and severally owed by the Borrowers to the Agent or such Lender.

SECTION 2.14. Blocked Account Agreements. (a) Within thirty (30) days of Closing, the Borrowers shall deliver to the Collateral Agent deposit control agreements in form acceptable to the Collateral Agent for each of the depository accounts; provided, however, as to Churchill Weavers, Inc., the Collateral Agent shall be provided with a Blocked Account Agreement within 4 days of Closing with Churchill Weavers, Inc.'s depositary bank or banks, requiring all balances therein in excess of (x) $100,000, as to Berea National Bank, and (y) $1,000, as to Community Trust Bank, to be transmitted to the Collateral Agent for deposit in a Collateral Reserve Account, with such balances being transmitted on a weekly basis on each Friday and, with respect to Berea National Bank, on any other day on which the aggregate amount of balances in such account is equal to or in excess of $100,000. Each Borrower receiving Net Cash Proceeds of dispositions of assets or of the issuance of Capital Stock or Redeemable Preferred Stock or the incurrence of Debt for money borrowed (except Debt secured by Purchase Money Liens), or Net Casualty/Insurance Proceeds shall (or shall cause such other Person receiving such cash proceeds to) remit all such cash proceeds to the Collateral Reserve Account. In the event such items of payment are inadvertently received by any of the Borrowers or any other Person, whether or not in accordance with the terms of this Agreement, such Borrower or other Person shall be deemed to hold the same in trust for the benefit of Collateral Agent and promptly forward them to the Collateral Agent for deposit in the Collateral Reserve Account. Net Cash Proceeds of dispositions of assets or of the issuance of Capital Stock or Redeemable Preferred Stock or the incurrence of Debt for money borrowed (except Debt secured

by Purchase Money Liens) and Net Casualty/Insurance Proceeds shall be held subject to the provisions of SECTION 2.10(c), and any Net Cash Proceeds or Net Casualty/Insurance Proceeds not required to be paid to the Agent for the account of the Lenders pursuant to SECTION 2.10(c) shall be paid to the Borrowers on the date such payment is made for the account of the Lenders. During the existence of an Event of Default the Collateral Agent may at any time in its sole discretion or if requested in writing by the Required Lenders, direct Account Debtors to make payments on the Accounts Receivable Collateral, or portions thereof, directly to the Collateral Agent, and the Account Debtors are hereby authorized and directed to do so by each Borrower upon the Collateral Agent's direction, and the funds so received shall be also deposited in the Collateral Reserve Account, or, at the election of the Collateral Agent, upon its receipt thereof, be applied directly to repayment of the Obligations as set forth in SECTION 2.11(e).

(b) The Borrowers shall not open or maintain any deposit account with any depositary institution (except with the Collateral Agent and subject to the Liens created by this Agreement) unless the depository institution for such account shall have entered into a Blocked Account Agreement with the Collateral Agent, and the Borrower shall deliver to the Collateral Agent in pledge all certificates of deposit issued by any such depositary institution. As of the Closing Date, all deposit accounts maintained by the Borrowers with any depositary institutions are listed on SCHEDULE 2.14. In addition, the Borrowers shall promptly execute and deliver such lockbox agreements, and make such related arrangements, as the Agent (acting at the request of the Collateral Agent) may request at any time.

SECTION 2.15. Issuance of Letters of Credit. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of the Borrowers herein set forth, Wachovia shall issue for the account of Borrower, one or more Letters of Credit denominated in Dollars, in accordance with this ARTICLE 2, from time to time during the period commencing on the Closing Date and ending on the Domestic Business Day prior to the Revolving Loan Termination Date.

SECTION 2.16. Conditions and Amounts of Letters of Credit. Wachovia shall have no obligation to, and shall not, issue any Letter of Credit at any time:

(a) if the aggregate maximum amount then available for drawing under Letters of Credit, after giving effect to the issuance of the requested Letter of Credit, shall exceed any limit imposed by law or regulation upon Wachovia;

(b) if, after giving effect to the issuance of the requested Letter of Credit, (i) the aggregate Letter of Credit Obligations plus the undrawn amount of letters of credit issued or guaranteed by the Permitted Factor would exceed $3,000,000 or (ii) all of the then outstanding Working Capital Obligations would exceed the Borrowing Base;

(c) which has an expiration date less than 30 days prior to the Revolving Loan Termination Date;

(d) unless the relevant Borrower shall have delivered to Wachovia at such times and in such manner as Wachovia may prescribe, a Letter of Credit Application Agreement and such other documents and materials as may be required pursuant to the terms thereof all

satisfactory in form and substance to Wachovia and the terms of the proposed Letter of Credit shall be satisfactory in form and substance to Wachovia;

(e) if, as of the date of issuance any order, judgment or decree of any court, arbitrator or Authority shall purport by its terms to enjoin or restrain Wachovia from issuing the Letter of Credit and any law, rule or regulation applicable to Wachovia and any request or directive (whether or not having the force of law) from any Authority with jurisdiction over Wachovia

shall prohibit or request that Wachovia refrain from the issuance of letters of credit generally or the issuance of that Letter of Credit; and

(f) if, the Unused Revolving Loan Commitment shall be less than the amount of the requested Letter of Credit.

SECTION 2.17. Requests for Issuance of Letters of Credit.

(a) Request for Issuance. At least two Domestic Business Days before the effective date for any Letter of Credit, the relevant Borrower shall give Wachovia a written notice, with a copy to each Lender, containing the original signature of an authorized officer or employee of such Borrower substantially in the form of EXHIBIT P-1. Such notice shall be irrevocable and shall specify the original face amount of the Letter of Credit requested (which original face amount shall not be less than $20,000), the effective date (which day shall be a Domestic Business Day) of issuance of such requested Letter of Credit, the date on which such requested Letter of Credit is to expire, the amount of then outstanding Letter of Credit Obligations, the purpose for which such Letter of Credit is to be issued, whether such Letter of Credit may be drawn in single or partial draws and the person for whose benefit the requested Letter of Credit is to be issued.

(b) Issuance; Notice of Issuance. If the original face amount of the requested Letter of Credit is less than or equal to the Unused Revolving Loan Commitment at such time and the applicable conditions set forth in this Agreement are satisfied, Wachovia shall issue the requested Letter of Credit. Wachovia shall give each Lender written or telex notice in substantially the form of EXHIBIT P-2, or telephonic notice confirmed promptly thereafter in writing, of the issuance of a Letter of Credit and at the request of any Lender, shall deliver to such Lender a copy thereof.

(c) No Extension or Amendment. Wachovia shall not extend or amend any Letter of Credit if the issuance of a new Letter of Credit having the same terms as such Letter of Credit as so amended or extended would be prohibited by SECTION 2.16 or SECTION 2.17.

SECTION 2.18. Letter of Credit Reimbursement Obligations; Duties of the Issuing Lender.

(a) Reimbursement. Notwithstanding any provisions to the contrary in any Letter of Credit Application Agreement:

(i) the Borrower shall reimburse Wachovia for drawings under a Letter of Credit issued by it no later than the earlier of (A) the time specified in

such Letter of Credit Application Agreement, or (B) 1 Domestic Business Day after the payment by Wachovia;

(ii) any Reimbursement Obligation with respect to any Letter of Credit shall bear interest from the date of the relevant drawing under the pertinent Letter of Credit until the date of payment in full thereof at a rate per annum equal to (A) prior to the date that is 3 Domestic Business Days after the date of the related payment by Wachovia, the Base Rate and (B) thereafter, the Default Rate; and

(iii) in order to implement the foregoing, upon the occurrence of a draw under any Letter of Credit, unless Wachovia is reimbursed in accordance with subsection (i) above, the Borrower irrevocably authorizes the Agent to treat such nonpayment as a Notice of Borrowing in the amount of such Reimbursement Obligation and to make Revolving Loans to Borrower in such amount regardless of whether the conditions precedent to the making of Revolving Loans hereunder have been met. Each Borrower further authorizes the Agent to credit the proceeds of such Revolving Loan so as to immediately eliminate the liability of the Borrower for Reimbursement Obligations under such Letter of Credit.

(b) Duties of Wachovia. Any action taken or omitted to be taken by Wachovia in connection with any Letter of Credit, if taken or omitted in the absence of willful misconduct or gross negligence, shall not put Wachovia under any resulting liability to any Lender, or assuming that Wachovia has complied with the procedures specified in SECTION 2.17 and such Lender has not given a notice contemplated by SECTION 2.19(a) that continues in full force and effect, relieve that Lender of its obligations hereunder to Wachovia. In determining whether to pay under any Letter of Credit, Wachovia shall have no obligation relative to the Agent or the Lenders other than to confirm that any documents required to have been delivered under such Letter of Credit appear to comply on their face, with the requirements of such Letter of Credit.

SECTION 2.19. Letter of Credit Participations.

(a) Purchase of Participations. Immediately upon issuance by Wachovia of any Letter of Credit in accordance with the procedures set forth in SECTION 2.17, each Lender shall be deemed to have irrevocably and unconditionally purchased and received from Wachovia, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Commitment Percentage of such Letter of Credit (or guaranty pertaining thereto); provided, that a Letter of Credit shall not be entitled to the benefits of this SECTION 2.19 if the Agent and Wachovia shall have received written notice from any Lender on or before the Domestic Business Day immediately prior to the date of Wachovia's issuance of such Letter of Credit that one or more of the conditions contained in SECTION 2.17 or ARTICLE 4 is not then satisfied, and, in the event the Agent and Wachovia receives such a notice, it shall have no further obligation to, and shall not, issue any Letter of Credit until such notice is withdrawn by that Lender or until the Required Lenders have effectively waived such condition in accordance with the provisions of this Agreement.

(b) Sharing of Letter of Credit Payments. In the event that Wachovia makes any payment under any Letter of Credit for which the applicable Borrower shall not have repaid such

amount to Wachovia pursuant to SECTION 2.20 or which cannot be paid by a Revolving Loan pursuant to subsection (iii) of SECTION 2.18, Wachovia shall notify the Agent and the Agent shall promptly notify each Lender of such failure, and each Lender shall promptly and unconditionally pay to Wachovia such Lender's Commitment Percentage of the amount of such payment in Dollars and in same day funds. If the Agent so notifies such Lender prior to 10:00 A.M. (Atlanta, Georgia time) on any Domestic Business Day, such Lender shall make available to Wachovia its Commitment Percentage of the amount of such payment on such Domestic Business Day in same day funds. If and to the extent such Lender shall not have so made its Commitment Percentage of the amount of such payment available to Wachovia, such Lender agrees to pay to Wachovia forthwith on demand such amount together with interest thereon, for each day from the date such payment was first due until the date such amount is paid to Wachovia at the Federal Funds Rate for the first 3 days and thereafter at the Base Rate. The failure of any Lender to make available to Wachovia its Commitment Percentage of any such payment shall neither relieve nor increase the obligation of any other Lender hereunder to make available to Wachovia its Commitment Percentage of any payment on the date such payment is to be made.

(c) Sharing of Reimbursement Obligation Payments. Whenever Wachovia receives a payment on account of a Reimbursement Obligation, including any interest thereon, as to which Wachovia has received any payments from the Lenders pursuant to this SECTION 2.19, it shall promptly pay to each Lender which has funded its participating interest therein, in Dollars and in the kind of funds so received, an amount equal to such Lender's Commitment Percentage thereof. Each such payment shall be made by Wachovia on the Domestic Business Day on which the funds are paid to such Person, if received prior to 10:00 am. (Atlanta, Georgia time) on such Domestic Business Day, and otherwise on the next succeeding Domestic Business Day.

(d) Documentation. Upon the request of any Lender, Wachovia shall furnish to such Lender copies of any Letter of Credit, Letter of Credit Application Agreement and other documentation relating to Letters of

Credit issued pursuant to this Agreement.

(e) Obligations Irrevocable. The obligations of the Lenders to make payments to Wachovia with respect to a Letter of Credit shall be irrevocable, not subject to any qualification or exception whatsoever and shall be made in accordance with, but not subject to, the terms and conditions of this Agreement under all circumstances (assuming that Wachovia has issued such Letter of Credit in accordance with SECTION 2.17 and such Lender has not given a notice contemplated by SECTION 2.19(a) that continues in full force and effect), including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit or any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), Wachovia, any Lender or any other Person, whether in

connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions;

(iii) any draft, certificate or any other document presented under the Letter of Credit proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents;

(v) payment by Wachovia under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(vi) payment by Wachovia under any Letter of Credit against presentation of any draft or certificate that does not comply with the terms of such Letter of Credit, except payment resulting from the gross negligence or willful misconduct of Wachovia or where the draft or certificate on its face does not comply in any material respect with the terms of such Letter of Credit; or

(vii) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing, except circumstances or happenings resulting from the gross negligence or willful misconduct of Wachovia.

SECTION 2.20. Payment of Letter of Credit Reimbursement Obligations.

(a) Payments to Wachovia Bank. The relevant Borrower agrees to pay to Wachovia the amount of all Reimbursement Obligations, interest and other amounts payable to Wachovia under or in connection with any Letter of Credit issued for such Borrower's account immediately when due, irrespective of:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit or any transferee of any Letter of Credit (or any Person for whom

any such transferee may be acting), Wachovia, the Agent, any Lender or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions;

(iii) any draft, certificate or any other document presented under the Letter of Credit proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents;

(v) payment by Wachovia under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(vi) payment by Wachovia under any Letter of Credit against presentation of any draft or certificate that does not comply with the terms of such Letter of Credit, except payment resulting from the gross negligence or willful misconduct of Wachovia or where the draft or certificate on its face does not comply in any material respect with the terms of such Letter of Credit; or

(vii) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing, except circumstances or happenings resulting from the gross negligence or willful misconduct of Wachovia.

(b) Recovery or Avoidance of Payments. In the event any payment by or on behalf of the relevant Borrower received by Wachovia with respect to a Letter of Credit and distributed by Wachovia to the Lenders on account of their participations is thereafter set aside, avoided or recovered from Wachovia in connection with any receivership, liquidation or bankruptcy proceeding, each Lender that received such distribution shall, upon demand by Wachovia, contribute such Lender's Commitment Percentage of the amount set aside, avoided or recovered together with interest at the rate required to be paid by Wachovia upon the amount required to be repaid by it.

SECTION 2.21. Compensation for Letters of Credit and Reporting Requirements.

(a) Letter of Credit Fees. Each Borrower shall pay to the Agent with respect to each Letter of Credit issued hereunder a letter of credit fee ("Letter of Credit Fee") equal to 2.75% per annum of the face amount of such Letter of Credit, payable on the Domestic Business Day on which such Letter of Credit is issued. Letter of Credit Fees payable hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). The Agent shall promptly remit such Letter of Credit Fees, when paid, to the Lenders in accordance with their Commitment Percentage thereof.

(b) Wachovia Charges. Each Borrower shall pay to Wachovia, solely for its own account, the standard charges assessed by Wachovia in connection with the issuance, administration, amendment and payment or cancellation of Letters of Credit issued hereunder, which charges shall be those typically charged by Wachovia to its customers generally having credit and other characteristics similar to the relevant Borrower, as determined in good faith by Wachovia.

SECTION 2.22. Indemnification and Exoneration with respect to Letters of Credit.

(a) Indemnification. In addition to amounts payable as elsewhere provided in this Article 2, the Borrowers shall protect, indemnify,

pay and save Wachovia, the Agent and each Lender harmless from and against any and all claims, demands, liabilities, damages, losses,

costs, charges and expenses (including reasonable attorneys' fees) which Wachovia, the Agent or any Lender may incur or be subject to as a consequence of the issuance of any Letter of Credit for a Borrower's account other than as a result of its gross negligence or willful misconduct, as determined by a court of competent jurisdiction.

(b) Assumption of Risk by the Borrowers. As between the Borrowers, Wachovia, the Agent and the Lenders, the Borrowers assume all risks of the acts and omissions of, or misuse of the Letters of Credit issued for such Borrower's account by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, Wachovia, the Agent and the Lenders shall not be responsible for (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason, (iii) failure of the beneficiary of a Letter of Credit to comply duly with conditions required in order to draw upon such Letter of Credit, (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher, for errors in interpretation of technical terms, (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds thereof, (vii) the misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; and (viii) any consequences arising from causes beyond the control of Wachovia, the Agent and the Lenders.

(c) Exoneration. In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by Wachovia under or in connection with the Letters of Credit or any related certificates if taken or omitted in good faith and with reasonable care, shall not put Wachovia or any Lender under any resulting liability to the Borrowers or relieve the Borrowers of any of their obligations hereunder to any such Person.

ARTICLE 3
COLLATERAL

SECTION 3.01. Security Agreement. As security for the payment of all Obligations, pursuant to the Security Agreement, each Borrower is granting to Collateral Agent, for the ratable benefit of the Lenders, a continuing, general lien upon and security interest and security title in and to the following described property, wherever located, whether now existing or hereafter acquired or arising, namely: (a) the Accounts Receivable Collateral and all amounts payable to any Borrower by a Permitted Factor with respect to Factored Accounts; (b) the Inventory Collateral; (c) the Equipment Collateral; (d) the Intangibles Collateral; (e) the Balances Collateral; and (f) all products and/or proceeds of any and all of the foregoing, including, without limitation, insurance proceeds.

SECTION 3.02. Further Assurances. The Borrowers shall duly execute and/or deliver (or cause to be duly executed and/or delivered) to the Collateral Agent any instrument, agreement, invoice, document, document of title, dock warrant, dock receipt,

warehouse receipt, bill of lading, order, financing statement, assignment, waiver, consent, acknowledgment, control agreement or other writing which may be reasonably necessary to the Collateral Agent to carry out the terms of this

Agreement and any of the other Credit Documents and to perfect its security interest or intended security interest in and facilitate the collection of the Collateral, the proceeds thereof, and any other property at any time constituting security or intended to constitute security to the Collateral Agent. The Borrowers shall perform or cause to be performed such acts as the Collateral Agent may request to establish and maintain for the Collateral Agent a valid and perfected security interest in and security title to the Collateral, free and clear of any Liens other than Permitted Encumbrances. Each of the Borrowers authorizes the Collateral Agent to file financing statements consistent with this Agreement in such filing offices as it shall select, and acknowledges that such financing statement may describe the Collateral as "all personal property" of such Borrower. Each Borrower agrees that: (i) no item of Accounts Receivable Collateral consisting of non-electronic chattel paper has or will be created without including thereon a legend acceptable to the Collateral Agent indicating that the Collateral Agent has a security interest therein, and (ii) at the request of the Collateral Agent, it will take such steps as are required to establish "control" in favor of the Collateral Agent under the UCC in any electronic chattel paper.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Each of the Borrowers represents and warrants to the Agent and the Lenders that:

SECTION 4.01. Corporate Existence and Power. Each of the Borrowers and each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary (as set forth on SCHEDULE 4.01), and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where any such failure to qualify or have all required governmental licenses, authorizations, consents and approvals does not have and would not reasonably be expected to cause a Material Adverse Effect and would not impede any rights of the Collateral Agent with respect to the Collateral.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrowers of this Agreement, the Notes and the other Credit Documents (i) are within each Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, and have been executed on behalf of the Borrowers by duly authorized officers, (iii) require no action by or in respect of or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Articles of incorporation or by-laws of the Borrowers or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrowers or any of the Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Borrowers (except in favor of the Collateral Agent) or any of the Subsidiaries.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrowers enforceable in accordance with its terms, and the Notes and

the other Credit Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrowers enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

SECTION 4.04. Financial Information.

(a) The (i) (x) draft audited consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and its Consolidated Subsidiaries, and (y) unaudited consolidating financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and

all Subsidiaries, in each case for the Fiscal Year ending on April 1, 2001, copies of which have been delivered to each of the Lenders, and (ii) unaudited (x) consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and its Consolidated Subsidiaries, and (z) an opening balance sheet taking into account the restructuring of the Parent and its Consolidated Subsidiaries and the sale of its adult bedding line of business to its former management, and the sources and uses statement described in SECTION 9.01(s), copies of which have been delivered to each of the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Parent and its Consolidated Subsidiaries or the consolidating financial position of the Parent and the Subsidiaries, as the case may be, as of such dates and their consolidated or consolidating results of operations and cash flows for such periods stated, and accurately reflect the sources and uses described in such sources and uses statement.

(b) Since April 1, 2001, there has been no event, act, condition or occurrence having a Material Adverse Effect.

SECTION 4.05. Litigation. Except as disclosed in SCHEDULE 4.05, there is no action, suit or proceeding pending, or to the knowledge of the Borrowers threatened, against or affecting the Borrowers or any of the Subsidiaries before any court or arbitrator or any governmental body, agency or official which could have a Material Adverse Effect.

SECTION 4.06. Compliance with ERISA.

(a) The Borrowers and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA.

(b) Neither the Borrowers nor any member of the Controlled Group is or ever has been obligated to contribute to any Multiemployer Plan.

SECTION 4.07. Compliance with Laws; Payment of Taxes. The Borrowers and the Subsidiaries are in material compliance with all applicable laws, regulations and similar requirements of governmental authorities (including, without limitation, the Fair Labor Standards Act of 1938, as amended), except as set forth in SECTION 4.13 or where such compliance is

being contested in good faith through appropriate proceedings, and except where any such failure to comply (other than with respect to the Fair Labor Standards Act of 1938, as amended) does not have and would not reasonably be expected to cause a Material Adverse Effect and would not impede any rights of the Collateral Agent with respect to the Collateral and the Borrowers have adopted and continue to follow a compliance program satisfactory to assure the accuracy of the foregoing statement. There have been filed on behalf of the Borrowers and the Subsidiaries all federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrowers or any Subsidiary have been paid. The charges, accruals and reserves on the books of the Borrowers and the Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrowers, adequate. United States income tax returns of the Borrowers and the Subsidiaries have been examined and closed through the Fiscal Year ended on or about March 31, 1997.

SECTION 4.08. Investment Company Act. Neither the Borrowers nor any of the Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.09. Public Utility Holding Company Act. Neither the Borrowers nor any of the Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are

defined in the Public Utility Holding Company Act of 1935, as amended.

SECTION 4.10. Ownership of Property; Liens. Each of the Borrowers and the Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in SECTION 5.18.

SECTION 4.11. No Default. Neither the Borrowers nor any of the Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.12. Full Disclosure. All information heretofore furnished by the Borrowers to the Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrowers to the Agent or any Lender will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. To the best knowledge of the executive officers of the Borrowers, the Borrowers have disclosed to the Lenders in writing any and all facts which could have or cause a Material Adverse Effect.

SECTION 4.13. Environmental Matters. Except as disclosed in SCHEDULE 4.13:

(a) Neither the Borrowers nor any Subsidiary is subject to any Environmental Liability which could have or cause a Material Adverse Effect and neither the Borrowers nor any

Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA. None of the Real Properties or any other real property owned, leased or operated by a Borrower or any Subsidiary (collectively, the "Aggregate Real Properties") has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. ss. 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA.

(b) No Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Aggregate Real Properties or are otherwise present at, on, in or under the Aggregate Real Properties, or, to the best of the knowledge of the Borrowers, at or from any adjacent site or facility, except for Hazardous Materials, such as cleaning solvents, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed, or otherwise handled in minimal amounts in the ordinary course of business in substantial compliance with all applicable Environmental Requirements.

(c) The Borrowers and each of the Subsidiaries have procured all Environmental Authorizations necessary for the conduct of its business, and is in substantial compliance with all Environmental Requirements in connection with the operation of the Aggregate Real Properties and the Borrowers' and each of the Subsidiary's respective businesses.

SECTION 4.14. Capital Stock. All Capital Stock, Redeemable Preferred Stock, debentures, bonds, notes and all other securities of the Borrowers and the Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including, but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws, or for which the applicable statute of limitations has expired. The issued shares of Capital Stock and Redeemable Preferred Stock of the Parent's Wholly Owned Subsidiaries are owned by the Parent free and clear of any Lien or adverse claim. At least a majority of the issued shares of capital stock of each of the Parent's other Subsidiaries (other than Wholly Owned Subsidiaries) is owned by the Parent, free and clear of any Lien or adverse claim.

SECTION 4.15. Margin Stock. Neither the Borrowers nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation T, U or X.

SECTION 4.16. Insolvency. After giving effect to the execution and delivery of the Credit Documents and the incurrence of the Obligations under this Agreement: (i) the Borrowers will not (x) be "insolvent," within the meaning of such term as used in O.C.G.A. ss. 18-2-22 or as defined in ss. 101 of the Bankruptcy Code, or SECTION 2 of either the "UFTA" or the "UFCA", or as defined or used in any "Other Applicable Law" (as those terms are defined below), or (y) be unable to pay its debts generally as such debts become due within the meaning of SECTION 548 of the Bankruptcy Code, SECTION 4 of the UFTA or SECTION 6 of the UFCA, or (z) have an unreasonably small capital to engage in any business or transaction, whether current or contemplated, within the meaning of SECTION 548 of the Bankruptcy Code,

SECTION 4 of the UFTA or SECTION 5 of the UFCA; and (ii) the Obligations of the Borrowers under the Credit Documents will not be rendered avoidable under any Other Applicable Law. For purposes of this SECTION 4.16, "UFTA" means the Uniform Fraudulent Transfer Act, "UFCA" means the Uniform Fraudulent Conveyance Act, and "Other Applicable Law" means any other applicable law pertaining to fraudulent transfers or acts voidable by creditors, in each case as such law may be amended from time to time.

SECTION 4.17. Insurance. The Parent and each of the Subsidiaries have (either in the name of such Borrower or in such Subsidiary's own name), with financially sound and reputable insurance companies and with a Best's Rating of at least "A", insurance in at least such amounts and against at least such risks (including on all its property, and business interruption, public liability and worker's compensation) as are usually insured against in the same general area by companies of established repute engaged in the same or similar business and as required by the Security Documents.

SECTION 4.18. Purchase of Collateral. Within the 12 months period preceding the Closing Date, none of the Borrowers has purchased any of the Collateral in a bulk transfer or in a transaction which was outside the ordinary course of the business of such Borrower's seller.

SECTION 4.19. Possession of Permits. Each Borrower and each Subsidiary possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of any of its properties and assets, and no Borrower or Subsidiary is in violation of any thereof except where any such failure to possess any of the foregoing does not have and would not reasonably be expected to cause a Material Adverse Effect and would not impede any rights of the Collateral Agent with respect to the Collateral.

SECTION 4.20. Labor Disputes. Except as disclosed in SCHEDULE 4.20, (i) there is no collective bargaining agreement or other labor contract covering employees of the Borrowers or any Subsidiary, (ii) no such collective bargaining agreement or other labor contract is scheduled to expire during the term of this Agreement, (iii) no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of any of the Borrowers or any Subsidiary or for any similar purpose and (iv) there is no pending, or to the Borrower's knowledge, threatened, strike, work stoppage, material unfair labor practice claim, or other material labor dispute against or affecting any Borrower or any Subsidiary or their respective employees.

SECTION 4.21. Surety Obligations. Except as shown on SCHEDULE 4.21, none of the Borrowers nor any of their Subsidiaries is obligated as surety or indemnitor under any surety or similar bond or other contract issued or entered into to assure payment, performance or completion of

performance of any undertaking or obligation of any Person.

SECTION 4.22. Restrictions. None of the Borrowers nor any of their Subsidiaries is a party or subject to any contract, agreement, or charter or other corporate

restriction, which materially and adversely affects its business or the use or ownership of any of its assets. Except as set forth on SCHEDULE 4.22, none of the Borrowers nor any of their Subsidiaries is a party or subject to any contract or agreement which restricts its right or ability to incur Debt, none of which prohibit the execution of or compliance with this Agreement or the other Credit Documents by the Borrowers or any of their Subsidiaries, as applicable.

SECTION 4.23. Leases. SCHEDULE 4.23 is a complete listing of all material capitalized and operating leases of the Borrowers and their Subsidiaries on the date hereof. Each of the Borrowers and their Subsidiaries is in compliance in all material respects with all of the terms of each of its respective capitalized and operating leases.

SECTION 4.24. Trade Relations. There exists no present condition or state of facts or circumstances which would materially adversely affect the Borrowers or any of their Subsidiaries or prevent the Borrowers or any of their Subsidiaries from conducting its business after the consummation of the transactions contemplated by this Agreement in substantially the same manner in which they have heretofore been conducted, and, to the best of each Borrower's knowledge, there exists no actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between the Borrower or any of their Subsidiaries and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of the Borrowers or any of their Subsidiaries, or with any material supplier.

SECTION 4.25. Capital Structure. As of the date hereof, SCHEDULE 4.25 states (i) the correct name of each of the Subsidiaries of Parent and each Borrower, its jurisdiction of incorporation and the percentage of its Capital Stock and Redeemable Preferred Stock owned by the Parent and each Borrower, (ii) the name of each of the Parent's and the Borrowers' Affiliates and the nature of such affiliation, (iii) the number, nature and holder of all Capital Stock and Redeemable Preferred Stock of each Borrower and each Subsidiary of such Borrower, and (iv) the number of authorized, issued and treasury shares of each Borrower and each Subsidiary of such Borrower. The Borrowers have good title to all of the shares they purport to own of the Capital Stock and Redeemable Preferred Stock of each of its Subsidiaries, free and clear in each case of any Lien other than Permitted Encumbrances. All such shares have been duly issued and are fully paid and non-assessable.

SECTION 4.26. Federal Taxpayer Identification Number. The Borrowers' federal taxpayer identification numbers are as indicated on the respective Collateral Information Certificates.

SECTION 4.27. Bona Fide Accounts. Each item of the Accounts Receivable Collateral and each Factored Account arises or will arise under a contract between a Borrower and the respective Account Debtor, or from the bona fide sale or delivery of goods to or performance of services for the Account Debtor.

SECTION 4.28. Good Title to Collateral. The Borrowers have good title to the Collateral free and clear of all Liens, other than any Permitted Encumbrances, and no assertable financing statement covering the Collateral is on file in any public office other than any evidencing Permitted Encumbrances.

SECTION 4.29. Right to Assign and Grant Security Interest. The Borrowers have full right, power and authority to make the

assignment pursuant to this Agreement of the Accounts Receivable Collateral and to grant a security interest in all of the Collateral.

SECTION 4.30. Trade Styles. Except as may be set forth on the Collateral Information Certificates, the Borrowers use no trade names or trade styles (herein, "Trade Styles") in their business operations and warrant that the same shall continue, except for any additional Trade Styles after the date hereof with respect to which the Borrowers have given the Collateral Agent at least 30 days prior written notice thereof. In any event, to the extent that, now or hereafter, the Borrowers use any Trade Styles, the Borrowers hereby represent and warrant in favor of the Collateral Agent that: (i) all of the accounts receivable and proceeds with respect thereto arising out of sales under the Trade Styles shall be the property of, and belong to, the Borrowers and shall constitute Accounts Receivable Collateral; (ii) each of the Trade Styles is a trade name and trade style (and not an independent corporation or other legal entity) by which the Borrowers identifies and sells certain of their products or services and under which they may conduct a portion of their business; (iii) all accounts receivable, proceeds thereof, and returned merchandise which arise from the sale of products invoiced under the names of any of the Trade Styles shall be owned solely by the Borrowers and shall be subject to the terms of this Agreement as they relate to Accounts Receivable Collateral; and (iv) each Borrower hereby appoints the Collateral Agent as its attorney-in-fact to file such certificates disclosing such Borrower's use of the Trade Styles and to take such other actions on its behalf as are necessary to comply with the statutes of any states relating to the use of fictitious or assumed business names, to the extent that such Borrower fails to do so.

SECTION 4.31. Account Debtor Capacity and Solvency. Each Account Debtor hereunder (a) had the capacity to contract at the time any contract or other document giving rise to the account was executed and (b) such Account Debtor was not and is not "insolvent" as that term is defined in SECTION 4.16.

SECTION 4.32. Proceedings with Respect to Accounts. There are no proceedings or actions which are threatened or pending against any Account Debtor which are reasonably likely to have a material adverse change in such Account Debtor's financial condition or the collectibility of such account.

SECTION 4.33. Location of Collateral. As of the date hereof, the Collateral consisting of goods of the Borrowers is situated only at one or more of the Collateral Locations.

SECTION 4.34. Material Contracts. SCHEDULE 4.34 sets forth a complete listing of all Material Contracts. Each Borrower and its Subsidiaries is in compliance in all material respects with all terms and provisions of each Material Contract.

SECTION 4.35. Survival of Representations and Warranties. The Borrowers covenant, warrant and represent to the Agent and each Lender that all representations and warranties of the Borrowers and their Subsidiaries contained in this Agreement or any of the other Credit Documents shall be true at the time of the execution of this Agreement and the other

Credit Documents, and shall survive the execution, delivery and acceptance thereof by Agent and the parties thereto and the closing of the transactions described therein or related thereto.

SECTION 4.36. Force Majeure. None of the Borrowers' business is suffering from effects of fire, accident, strike, drought, storm, earthquake, embargo, tornado, hurricane, act of God, acts of a public enemy or other casualty that would have a Material Adverse Effect.

SECTION 4.37. Senior Subordinated Notes. The Obligations, as and when incurred, shall be senior in right of payment to all of the principal of, interest on, and all other amounts payable in respect of, the Senior Subordinated Notes, the Liens of the Collateral Agent securing the Obligations shall be senior and prior to the Liens securing the Senior Subordinated Notes pursuant to the Intercreditor Agreement, and the Obligations

shall be entitled to the benefit of the subordination provisions set forth in the Senior Subordinated Notes Purchase Agreement.

ARTICLE 5
COVENANTS

The Borrowers agree that, so long as any Lender has any Commitment hereunder or any amount payable hereunder or any of the Obligations remains unpaid:

SECTION 5.01. Information. The Borrowers will deliver to each of the Lenders:

(a) within 30 days after the Closing Date, the audited consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and its Consolidated Subsidiaries for the Fiscal Year ending on April 1, 2001, and as soon as available and in any event within 90 days after the end of each subsequent Fiscal Year, (i) audited consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and its Consolidated Subsidiaries, and (ii) unaudited consolidating financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and all Subsidiaries, in each case as of the end of such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, with the audited such statements being certified by the Certified Public Accountants, and with such certification to be free of exceptions and qualifications not acceptable to the Required Lenders;

(b) as soon as available, and in any event within 40 days after the end of each Fiscal Month for the first 24 Fiscal Months after the Closing Date, and 30 days after the end of each Fiscal Month thereafter, and within 45 days after the end of each Fiscal Quarter, (i) consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and its Consolidated Subsidiaries, and (ii) consolidating financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Parent and all Subsidiaries, in each case as of the end of such Fiscal Month and Fiscal Quarter, as the case may be, and for the portion of the Fiscal Year ending on such date, setting forth in each case in comparative form the figures for the corresponding Fiscal Month and Fiscal Quarter and the corresponding portion of the previous

Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by a Senior Officer;

(c) simultaneously with the delivery of each set of financial statements referred to in paragraphs (a) and (b) above, a certificate, substantially in the form of EXHIBIT G (a "Compliance Certificate"), of the Senior Officer (i) setting forth in reasonable detail the calculations required to establish whether the Parent was in compliance with the requirements of SECTION 5.20 on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Parent or any Borrower is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of annual financial statements referred to in paragraph (a) above, (i) a statement of the Certified Public Accountants to the effect that (A) such accountants acknowledge and agree that the Agent and the Lenders may rely upon such financial statement in the administration of this Agreement, and (B) nothing has come to their attention to cause them to believe that any Default existed on the date of such financial statements, and (ii) a copy of any management letter furnished to the Parent by the Certified Public Accountants;

(e) as soon as available and in no event later than the end of the Fiscal Year of each Borrower, projections of the Borrowers and their Subsidiaries for the forthcoming Fiscal Year, and set forth Fiscal Quarter by Fiscal Quarter, together with all material assumptions made in connection

therewith;

(f) promptly, but in any event within 5 Domestic Business Days after any Borrower becomes aware of the occurrence of any Default, a certificate of the Senior Officer setting forth the details thereof and the action which the Borrowers are taking or propose to take with respect thereto;

(g) promptly upon the mailing thereof to the shareholders of the Parent generally, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Parent shall have filed with the Securities and Exchange Commission;

(i) if and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in SECTION 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(j) as soon as practicable, but in any event on or before 30 days after each Fiscal Month for the first 24 Fiscal Months after the Closing Date, and 20 days after each Fiscal Month thereafter, a duly executed Borrowing Base Certificate (and to the Agent any accompanying documentation required by the Agent), with respect to satisfaction of the requirement that the Working Capital Obligations shall not exceed the Borrowing Base, as of the last day of the reporting period, in the form of EXHIBIT F or such other form as the Agent may deliver for such purpose to the Borrowers from time to time hereafter, the statements in which, in each instance, shall be certified as to truth and accuracy by the Senior Officer, and on each Thursday, such monthly Borrowing Base Certificate shall be updated, using good faith estimates, where necessary, and such weekly updates shall be certified as to truth and accuracy, to the extent estimates were not necessary, as well as to the good faith determination where estimates are made, by the Senior Officer;

(k) written notice of the following:

(i) promptly after each Borrower's learning thereof, of (A) the commencement of any litigation affecting such Borrower or any of its Subsidiaries or any of its respective assets, whether or not the claim is considered by Borrower to be covered by insurance, and (B) the institution of any administrative proceeding which in either case of clause (A) or (B), if decided adversely, would have a Material Adverse Effect;

(ii) at least 30 days prior thereto, of the opening of any new office or place of business of any Borrower or any of its Subsidiaries or the closing of any existing office or place of business of any Borrower or any of its Subsidiaries;

(iii) promptly after such Borrower's learning thereof, of any labor dispute to which such Borrower or any of its Subsidiaries may become a party, or any strikes or walkouts relating to any of its plants or other facilities, which in either case will have a Material Adverse Effect, and the expiration of any labor contract to which it is a party or by which it is bound;

(iv) promptly after the occurrence thereof, of any default by any obligor under any note or other evidence of indebtedness payable to any Borrower or any of its Subsidiaries exceeding $250,000;

(v) promptly after the rendition thereof, of any judgment in an amount exceeding $250,000 rendered against any Borrower or any of its Subsidiaries; and

(vi) promptly after any Borrowers' learning thereof, knowledge of any and all Environmental Liabilities, pending, threatened or anticipated Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Aggregate Real Properties or any adjacent property, and all facts, events, or conditions that could lead to any of the foregoing; and

(vii) promptly after any Borrower's learning thereof, of any default by such Borrower or any of its Subsidiaries under the Senior Subordinated Notes

Purchase Agreement or of any material default under any note, indenture, loan agreement, mortgage, lease, deed, guaranty or other similar agreement relating to any Debt of any Borrower or any of its Subsidiaries exceeding $250,000; and

(viii) promptly upon the execution thereof, of any amendment to the Senior Subordinated Notes Purchase Agreement, or other agreement governing or pertaining to such Subordinated Debt, entered into by any Borrower as permitted by SECTION 5.21(d), and such Borrower shall send the Agent a copy thereof promptly thereafter;

(l) from time to time such additional information regarding the financial position or business (including, without limitation, tax returns and bank statements) of the Borrowers and the Subsidiaries as the Agent, at the request of any Lender, may reasonably request.

SECTION 5.02. Inspection of Property, Books and Records; Field Audits

(a) The Borrowers will (i) keep, and cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; and (ii) permit, and cause each Subsidiary to permit, the Agent or representatives of the Agent and any Lender (at the Borrowers' expense if a Default or Event of Default is in existence or at the Agent's or such Lender's respective expense, as the case may be, prior to the occurrence of a Default or Event of Default) to visit and inspect any of their respective properties, verify information with any Person, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and the Certified Public Accountants, the Borrowers agreeing to cooperate and assist in such visits and inspections, in each case prior to the occurrence of a Default, at such reasonable times and as often as may reasonably be requested, and after the occurrence of a Default, at any time and without prior notice.

(b) In addition to the rights granted the Agent and the Lenders pursuant to SECTION 5.02(a), the Collateral Agent (or any person or persons designated by it) shall, in its sole discretion, have the right to call at any place of business of the Borrowers at any time and without prior notice, and, without hindrance or delay, examine, inspect, and audit all or any portion of the Collateral and to examine, inspect, audit and check and make copies of and extracts from the Borrowers' books, records, journals, orders, receipts and any correspondence and other data relating to the Collateral, to the Borrowers' business or to any other transactions between the parties hereto.

(c) The Collateral Agent shall have the right, on its own or

at the direction of the Required Lenders, to conduct field audits of the Collateral, and at the expense of the Borrowers; provided that so long as no Default or Event of Default exists, no more than 1 such field audit shall be conducted in any Fiscal Quarter.

SECTION 5.03. Maintenance of Existence and Management.The Borrowers shall, and shall cause each Subsidiary to maintain, (i) their corporate existence and carry on their business in substantially the same manner and in substantially the same fields as such business is

now carried on and maintained, except as permitted by SECTIONS 5.04 and 5.05, (ii) their respective corporate charters, by-laws, partnership agreements, operating agreements and other similar documents and agreements relating to their legal existence and organization, and not permit any amendment or other modification thereto except for any amendment or modification that would not affect the Obligations or result in a Material Adverse Effect, and (iii) maintain executive management having sufficient skill and experience in the Borrowers' and the Subsidiaries' industry to manage the Borrowers and the Subsidiaries competently and efficiently.

SECTION 5.04. Dissolution. The Parent shall not suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of any Borrower or Subsidiary, except through corporate reorganization to the extent permitted by SECTION 5.05.

SECTION 5.05. Consolidations, Mergers and Sales of Assets.

(a) The Borrowers will not, nor will they permit any Subsidiary to, merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any Person, except for a merger or consolidation between Subsidiaries of the Borrowers or involving only a Borrower and one or more of its Subsidiaries in which such Borrower is the surviving entity.

(b) The Borrowers will not, nor will they permit any Subsidiary to sell, lease or otherwise transfer all or any part of their assets (including, without limitation, any sale and leaseback arrangement, but excluding sales of inventory in the ordinary course of business) to, any other Person, or discontinue or eliminate any business line or segment, provided that the foregoing limitation on the sale, lease or other transfer of assets and on the discontinuation or elimination of a business line or segment shall not prohibit, subject to SECTION 2.10(c):

(i) the sales of Factored Accounts to a Permitted Factor; and

(ii) dispositions of Equipment Collateral subject to the provisions of SECTION 5.32.

SECTION 5.06. Use of Proceeds. On the Closing Date, the entire amount of the Term Loans, together with Revolving Loans in the aggregate amount of $12,000,000, will be used to refinance in part amounts outstanding under the Refinanced Agreements, and the security interest and liens under the Original Security Agreement, the Original Stock Pledge Agreement and the Mortgages shall be continued without interruption to secure the Obligations pursuant to the Domestic Stock Pledge Agreement, the Security Agreement and the Mortgages. No portion of the proceeds of the Loans will be used by the Borrowers or any Subsidiary (i) in connection with, whether directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, unless such tender offer or other acquisition is to be made on a negotiated basis with the approval of the Board of Directors of the Person to be acquired, and the provisions of SECTION 5.17 would not be violated, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, or (iii) for any purpose in violation of any applicable law or regulation.

SECTION 5.07. Compliance with Laws; Payment of Taxes. The

Borrowers will, and will cause each of the Subsidiaries and each member of the Controlled Group to, comply with applicable laws (including but not limited to ERISA and the Fair Labor Standards Act of 1938, as amended), regulations and similar requirements of governmental authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings diligently pursued and except where failure to comply would not have and would not reasonably be expected to cause a Material Adverse Effect. The Borrowers will, and will cause each of the Subsidiaries to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of the Borrowers or any Subsidiary, except liabilities being contested in good faith and against which, if requested by the Agent, the Borrowers or such Subsidiary will set up reserves in accordance with GAAP.

SECTION 5.08. Insurance; Net Casualty/Insurance Proceeds.

(a) The Borrowers will maintain, and will cause each of the Subsidiaries to maintain (either in the name of the Borrowers or in such Subsidiary's own name), with financially sound and reputable insurance companies acceptable to the Agent and with a Best's Rating of at least "A", insurance on all of their property in at least such amounts and against at least such risks (including on all their property, public liability and worker's compensation, and business interruption insurance) as are usually insured against in the same general area by companies of established repute engaged in the same or similar business and as required by the Security Documents. The Borrowers shall deliver the originals or copies (which copies shall be certified if requested by the Agent) of such policies to the Agent with satisfactory lender's loss payable endorsements naming the Collateral Agent, as agent for the Lenders, as sole loss payee, assignee and additional insured, as its interests may appear. Each policy of insurance or endorsement shall contain a clause (i) not permitting cancellation by a Borrower without the prior written consent of the Collateral Agent, (ii) requiring the insurer to give not less than 30 days prior written notice to the Collateral Agent in the event of cancellation or non-renewal by the insurance company of the policy for any reason whatsoever. In addition, the Borrower will exercise commercially reasonable efforts to obtain, within 90 days of the Closing Date, a further endorsement to each such policy specifying that the interest of the Collateral Agent shall not be impaired or invalidated by any act or neglect of the Borrowers or the owner of the property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. Upon the date of this Agreement, and from time to time thereafter upon the Collateral Agent's request, the Borrowers shall provide the Collateral Agent with a statement from each insurance company providing the foregoing coverage, acknowledging in favor of the Collateral Agent the continued effectiveness of the foregoing insurance clauses. If the Borrowers fail to provide and pay for such insurance, the Collateral Agent may, at its option, but shall not be required to, procure the same and charge the Borrowers therefor as a part of the Obligations.

(b) Net Casualty/Insurance Proceeds must be applied to either (i) the payment of the Obligations, or (ii) the repair and/or restoration of the Collateral. If either an Event of Default has occurred, or the cost to repair or restore the Collateral or of loss due to business interruption exceeds $250,000, then, in such event, the Agent, at the direction of the Required Lenders, shall determine, in their sole discretion, the manner in which Net Casualty/Insurance Proceeds are to be applied. If no Event of Default has occurred and the cost to repair or restore

the Collateral or of loss due to business interruption is $250,000 or less, the relevant Borrower shall determine the manner in which Net Casualty/Insurance Proceeds are to be applied.

SECTION 5.09. Change in Fiscal Year. The Parent will not change its Fiscal Year, or the fiscal year of any Borrower or any Subsidiary, without the consent of the Required Lenders.

SECTION 5.10. Maintenance of Property. The Borrowers shall, and shall cause each Subsidiary to, maintain all of its properties and assets in reasonably good condition, repair and working order, ordinary wear and tear excepted. The Borrowers and Subsidiaries shall maintain all Equipment

Collateral in good operating condition and repair, reasonable wear and tear excepted and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment Collateral shall be maintained and preserved, reasonable wear and tear excepted. Without the prior written consent of the Collateral Agent, none of the Equipment Collateral may be affixed to any real property such that it is characterized as a fixture under applicable law.

SECTION 5.11. Material Contracts. Each Borrower shall comply with and enforce, and cause each Subsidiary to comply with and enforce, all material terms and conditions of any Material Contract to which it is a party. No Borrower may, without the Agent's and the Required Lenders' prior written consent, (i) enter into, or permit any Subsidiary to enter into, any amendment or modification to any Material Contract of a material nature, or (ii) permit any Material Contract to be cancelled or terminated prior to its stated maturity. Each Borrower shall promptly notify the Agent and deliver to the Agent any notice received by such Borrower with respect to any event which constitutes a default by such Borrower or Subsidiary under any Material Contract to which such Borrower or such Subsidiary is a party or by which any of the assets of such Borrower or Subsidiary may be bound.

SECTION 5.12. Environmental Matters. The Borrowers and the Subsidiaries will not, and will not permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle, or ship or transport to or from the Aggregate Real Properties any Hazardous Materials except for Hazardous Materials such as cleaning solvents, pesticides and other similar materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed, or otherwise handled in minimal amounts in the ordinary course of business in compliance with all applicable Environmental Requirements.

SECTION 5.13. Environmental Release. Each Borrower agrees that upon the occurrence of an Environmental Release at or on any of the Aggregate Real Properties it will act immediately to investigate the extent of, and to take appropriate remedial action to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

SECTION 5.14. Transactions with Affiliates. Other than transactions or arrangements existing on the Closing Date and described on SCHEDULE 5.14, neither the Borrowers nor any of the Subsidiaries shall enter into, or be a party to, any transaction involving $500,000 or more with any Affiliate of the Borrowers or such Subsidiaries (which Affiliate is not

one of the Borrowers or a Wholly Owned Subsidiary), except as permitted by law and in the ordinary course of business and pursuant to reasonable terms which are fully disclosed to the Agent and the Lenders and are no less favorable to such Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person which is not an Affiliate. All obligations (consisting of Debt or otherwise) owed by any Affiliate to any Borrower shall by its terms be subordinated in full to the payment of the Obligations.

SECTION 5.15. No Additional Subsidiaries. Neither the Borrowers nor any of their Subsidiaries shall hereafter create or acquire any Subsidiary or divest itself of any material assets by transferring them to any Subsidiary. In the event that, with the Required Lenders' prior written consent, a Borrower acquires or creates any Subsidiary which is a Domestic Subsidiary, then, promptly (and in any event within 10 Domestic Business Days) upon the acquisition or creation thereof, such Borrower shall cause such Subsidiary to execute and deliver to the Agent: (i) a joinder agreement with respect this Credit Agreement, the Contribution Agreement and the Consent and Agreement of the Borrowers at the end of the Intercreditor Agreement, (ii) Notes payable to the Banks, (iii) if it owns any capital stock of another Domestic Subsidiary, a joinder agreement with respect to the Domestic Stock Pledge Agreement, together with blank stock powers and the stock certificates, (iv) if it owns any capital stock of a Direct Foreign Subsidiary, a joinder agreement with respect to the Foreign Stock Pledge Agreement, together with blank stock powers and the stock certificates (or otherwise make arrangements satisfactory to the Agent for the registration or other perfection of its security interest), (v) if it owns any Real Property and if requested by the Required Lenders, a Mortgage thereon and

such other Real Property Documentation with respect thereto as is requested by the Required Lenders (provided, that such Mortgage and other Real Property Documentation must be furnished as soon as reasonably practicable, but need not be furnished within the aforesaid 10 Domestic Business Days period), (vi) such UCC-1 financing statements as the Agent may reasonably request and (vii) evidence of corporate authority therefor and opinions of counsel with respect thereto, all satisfactory to the Agent in all respects, in the case of such Security Documents, granting to the Collateral Agent a first priority perfected Lien in all of the assets of such Domestic Subsidiary subject only to Permitted Encumbrances.

SECTION 5.16. Restricted Payments. The Parent will not declare or make any Restricted Payment during any Fiscal Year.

SECTION 5.17. Investments. The Borrowers shall not, and shall not permit any of the Subsidiaries to, make Investments in any Person except:

(i) deposits required by government agencies, public utilities or insurance companies;

(ii) Investments by any Borrower to or in any Subsidiary existing on the Closing Date;

(iii) Investments in (1) direct obligations of the United States Government maturing within one year, (2) certificates of deposit issued by a commercial bank whose credit is satisfactory to the Agent, (3) commercial paper rated "A1" or the equivalent thereof by S&P or "P1" or the equivalent thereof by

Moody's and in either case maturing within 6 months after the date of acquisition, and/or (4) tender bonds the payment of the principal of and interest on which is fully supported by a letter of credit issued by a United States bank whose long-term certificates of deposit are rated at least "AA" or the equivalent thereof by S&P and "Aa" or the equivalent thereof by Moody's;

(iv) Investments as a result of Interest Rate Protection Agreements not entered into for speculative purposes and not exceeding the aggregate amount of $1,000,000 (valued at the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by the parties in the applicable Interest Rate Protection Agreement, if any, and in any case net of any benefits of the Borrowers) outstanding with respect thereto;

(v) other Investments existing on the Closing Date;

provided, however, that immediately after giving effect to the making of any Investment permitted by this SECTION 5.17, no Default or Event of Default shall have occurred and be continuing.

SECTION 5.18. Permitted Liens. The Borrowers will not, and will not permit any Subsidiary to, create, assume or suffer to exist any Lien, directly or indirectly, on any asset now owned or hereafter acquired by it, except, with respect to the Collateral, the Permitted Encumbrances, and with respect to assets other than Collateral, other Liens set forth below:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement and disclosed in the Collateral Information Certificates;

(b) any Lien existing on any specific fixed asset of any corporation at the time such corporation becomes a Subsidiary and not created in contemplation of such event;

(c) any Lien on any specific fixed asset securing Debt incurred or assumed for the purpose of financing all or at least 75% of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;

(d) any Lien on any specific fixed asset of any corporation existing at the time such corporation is merged or consolidated with or into the Borrowers or a Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any specific fixed asset prior to the acquisition thereof by the Borrowers or a Subsidiary and not created in contemplation of such acquisition;

(f) Purchase Money Liens, securing Debt, not to exceed $250,000 in the aggregate outstanding at any time; provided that in granting any such Purchase Money Liens, the Borrowers shall use their best efforts to obtain from the holder of any such Purchase Money Lien a consent, if necessary, such that the equipment covered by such Purchase Money Lien will not constitute Excluded Equipment under clause (i) of the definition of "Excluded Equipment";

(g) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(h) any Lien on Margin Stock;

provided, however, that immediately after giving effect to the creation, assumption, existence or incurrence of any Liens permitted by this SECTION 5.18, no Default or Event of Default shall have occurred and be continuing.

SECTION 5.19. Restrictions on Ability of Borrower and Subsidiaries to Pay Dividends. The Borrowers shall not, and shall not permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any contractual encumbrance or restriction on the ability of any Subsidiary to (i) pay any dividends or make any other distributions on its Capital Stock or Redeemable Preferred Stock or any other interest or (ii) make or repay any loans or advances to the Borrowers.

SECTION 5.20. Financial Covenants.

(a) Minimum EBITDA. Consolidated EBITDA shall not be less than: (i) for the Fiscal Quarter ending September 30, 2001, $1,825,000; (ii) on a cumulative basis for the Fiscal Quarter ending December 30, 2001 and the immediately preceding Fiscal Quarter, $3,500,000; (iii) on a cumulative basis for the Fiscal Quarter ending March 31, 2002 and the 2 immediately preceding Fiscal Quarters, $5,550,000; and (iv) at the end of each Fiscal Quarter thereafter, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MINIMUM EBITDA
<S>	<C>
June 30, 2002	$7,375,000
September 29, 2002	$7,900,000
December 29, 2002	$8,300,000
March 30, 2003 and each Fiscal Quarter thereafter	$8,725,000

</TABLE>

(b) Debt/EBITDA Ratio. The Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal

Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the ratio set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MAXIMUM DEBT/EBITDA RATIO
<S>	<C>
March 31, 2002	7.75 to 1.0
June 30, 2002	5.65 to 1.0
September 29, 2002	5.25 to 1.0
December 29, 2002	4.75 to 1.0
March 30, 2003 and June 29, 2003	4.50 to 1.0
September 28, 2003	4.25 to 1.0
December 28, 2003	4.00 to 1.0
March 28, 2004	3.75 to 1.0
June 27, 2004 and September 26, 2004	3.50 to 1.0
December 26, 2004 through December 25, 2005	3.25 to 1.0
April 2, 2006	3.00 to 1.0

</TABLE>

(c) Senior Debt/EBITDA Ratio. The Senior Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Senior Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the ratio set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MAXIMUM SENIOR DEBT/EBITDA RATIO
<S>	<C>
March 31, 2002	4.80 to 1.0
June 30, 2002	3.50 to 1.0
September 29, 2002	3.25 to 1.0
December 29, 2002	3.00 to 1.0
March 30, 2003	2.75 to 1.0
June 29, 2003 and September 28, 2003	2.50 to 1.0
December 28, 2003	2.25 to 1.0
March 28, 2004 through September 26, 2004	2.00 to 1.0

December 26, 2004	1.75 to 1.0
March 27, 2005 and thereafter	1.50 to 1.00

(d) EBITDA/Cash Interest Ratio. The EBITDA/Cash Interest Ratio will not be less than, at the end of each Fiscal Quarter set forth below, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the amount set forth below corresponding to such Fiscal Quarter:

FISCAL QUARTER ENDING	MINIMUM EBITDA/CASH INTEREST RATIO
March 31, 2002	1.60 to 1.0
June 30, 2002	1.65 to 1.0
September 29, 2002	1.80 to 1.0
December 29, 2002	2.00 to 1.0
March 30, 2003	2.20 to 1.0
June 29, 2003 through December 28, 2003	2.25 to 1.0
March 28, 2004 through December 26, 2004	2.50 to 1.0
March 27, 2005 through December 25, 2005	2.75 to 1.0
April 2, 2006	3.00 to 1.00

(e) Minimum Stockholders' Equity. As of the end of each Fiscal Quarter, Stockholders' Equity will not be less than the sum of (i) Stockholders' Equity as of the Closing Date (after giving effect to the sale of its adult bedding line of business to its former management) plus (ii) 75% of the cumulative (since the Closing Date) Reported Net Income (excluding any Fiscal Quarter during which Reported Net Income is less than $0.00) of the Parent and the Subsidiaries.

(f) Capital Expenditures. No Borrower shall, nor shall it permit any Subsidiary to, make any expenditures (including obligations incurred under any lease) in any Fiscal Year that are required to be capitalized under GAAP in the aggregate for any Borrower and the Subsidiaries, on a consolidated basis, exceeding $500,000.

(g) Operating Leases. No Borrower shall, nor shall it permit any Subsidiary to, enter into or remain or become liable upon any lease (other than intercompany leases between the Borrower and its Subsidiaries) which would be characterized as an operating lease under GAAP if the aggregate amount of all consolidated rents paid by the Borrower and its Subsidiaries under all such leases would exceed $3,000,000 in the first Fiscal Year following the Closing Date, with such amount increasing each Fiscal Year thereafter by an additional 5% of the amount in effect at the end of the preceding Fiscal Year.

SECTION 5.21. Permitted Debt. No Borrower shall, nor shall it permit any Subsidiary to, create, assume or incur any Debt, except as follows (the amounts set forth below are in the aggregate for the Borrowers and all Subsidiaries).

(a) Debt owing by any Borrower to any other Borrower that is subordinated to the payment of the Obligations and the Senior Subordinated Notes;

(b) Debt to the Agent, the Collateral Agent and the Lenders under this Agreement and to Wachovia under any document or agreement pertaining to any Letter of Credit;

(c) Debt to Persons other than that described in the foregoing clause(b) existing on the date of this Agreement and described in SCHEDULE 5.21;

(d) [Reserved];

(e) Debt consisting of accrued pension fund and other employee benefit plan obligations and liabilities;

(f) Debt consisting of deferred taxes;

(g) Debt resulting from endorsements of negotiable instruments received in the ordinary course of business;

(h) Debt secured by Purchase Money Liens permitted hereby SECTION 5.18(f);

(i) contingent obligations with respect to documentary letters of credit which have been issued but not drawn upon;

(j) Debt as a result of Interest Rate Protection Agreements as the same are permitted under SECTION 5.17;

(k) Debt arising out of the refinancing, extension, renewal or refunding of any Debt permitted by any of the foregoing paragraphs of this SECTION so long as (i) the maturity of such refinanced Debt is not earlier than the maturity of such original Debt, and (ii) the interest, fees and other amounts payable with respect to such refinanced Debt are no greater than any interest, fees or other amounts payable with respect to the original Debt); and

(l) Debt arising in connection with factoring arrangements with The CIT Group/Commercial Services, Inc. described in SECTION 9.01(l), to be paid off and released pursuant to the payoff letter described therein;

provided, however, that immediately after giving effect to the creation, assumption, existence or incurrence of any Debt permitted by this SECTION 5.21, no Default or Event of Default shall have occurred and be continuing.

SECTION 5.22. Limitation on Issuance and Sale of Capital Stock and Redeemable Preferred Stock of Subsidiaries. The Borrowers shall not, nor permit any Subsidiary to, permit any Wholly Owned Subsidiary to issue any Capital Stock or Redeemable Preferred Stock other than to a Borrower or one of its Wholly Owned Subsidiaries or permit any Person other than a Borrower or one of its Wholly Owned Subsidiaries to own any Capital Stock or Redeemable Preferred Stock of a Wholly Owned Subsidiary (other than directors' qualifying shares); or sell any of the Capital Stock or Redeemable Preferred Stock of a Subsidiary of a

Borrower, or permit any Subsidiary of a Borrower to sell any of the Capital Stock or Redeemable Preferred Stock of any other Subsidiary.

SECTION 5.23. Change of Principal Place of Business or Location of Collateral. None of the Borrowers shall change its state of organization, registered legal name, principal place of business or Executive Office, or open new Collateral Locations or warehouses, or transfer existing Collateral Locations or warehouses, or locate the Collateral at any location other than a Collateral Location, or maintain records with respect to Collateral, to or at any locations other than those at which the same are presently kept or maintained as set forth on the Collateral Information Certificates without the Collateral Agent's prior written consent after at least 30 days prior written notice to the Collateral Agent; provided, however, that

the Parent has notified the Lenders that on or about December 31, 2001, each of the Parent and Hamco, Inc. will relocate its principal place of business and Executive Office (with no change to its state of organization or registered legal name) to Gonzales, Ascension Parish, Louisiana, and consent hereby is granted with respect thereto, subject to the execution of appropriate UCC-1 financing statements requested by the Collateral Agent with respect thereto.

SECTION 5.24. Physical Inventories. The Borrowers shall conduct a physical inventory no less frequently than annually and shall provide to the Agent a report of such physical inventory promptly thereafter, together with such supporting information as the Agent shall reasonably request.

SECTION 5.25. No Adverse Change to Senior Subordinated Notes, et. al. The Parent agrees not to alter or amend the Senior Subordinated Notes or the Senior Subordinated Notes Purchase Agreement in a manner that conflicts with the intent of the Intercreditor Agreement or is adverse to the interests of the Lenders, including without limitation any modification that (a) adds or amends any covenant so that it is more restrictive than the covenants contained in this Agreement, (b) increases the rate of interest, Yield Maintenance Amount or any fees charged on the Senior Subordinated Notes, (c) increases the principal amount of the Senior Subordinated Notes, (d) provides for an earlier date for the payment of principal or interest on the Senior Subordinated Notes or shortens the average life of the Senior Subordinated Notes, or (e) provides for additional collateral, in each case without the prior written consent of the Required Lenders.

SECTION 5.26. Preservation of Intangibles Collateral. The Borrowers shall take all reasonably necessary and appropriate measures, taking into account the value and usefulness of the relevant Intangibles Collateral and the cost of such measures, to obtain, maintain, protect and preserve the Intangibles Collateral including, without limitation, registration thereof with the appropriate state or federal governmental agency or department.

SECTION 5.27. Records Respecting Collateral. All records of the Borrowers with respect to the Collateral will be kept at their respective Executive Offices and will not be removed from such address without the prior written consent of Agent.

SECTION 5.28. Reports Respecting Collateral. The Borrowers shall, as soon as practicable, but in any event on or before 30 days after each Fiscal Month for the first 24 Fiscal Months after the Closing Date, and 20 days after each Fiscal Month thereafter, furnish or

cause to be furnished to the Agent a status report, certified by a duly authorized officer of Borrowers, showing: (i) the aggregate dollar value of the items comprising the Factored Accounts and the Accounts Receivable Collateral and the age of each individual item thereof as of the last day of the preceding Fiscal Month (segregating such items in such manner and to such degree as the Agent may request, including, without limitation, by Account Debtor name, address, invoice number, due date and invoice date); (ii) the aggregate dollar value of the items of Accounts Receivable Collateral subject to "bill and hold" arrangements (segregating such items in such manner and to such degree as the Agent may request); (iii) the aggregate dollar value of the items comprising the accounts payable of the Borrowers and the age of each individual item thereof as of the last day of the preceding Fiscal Month (segregating such items in such manner and to such degree as the Agent may request); (iv) the type, age, dollar value and location of the Inventory Collateral as at the end of the preceding Fiscal Month, valued at the lower of its FIFO cost or market value; and (v) the aggregate dollar value of all returns, repossessions or discounts with respect to Inventory Collateral in excess of $250,000, and specifying for each such return, repossession or discount, the Account Debtor, the reason for any such return, repossession or discount and the location of any returned or repossessed Inventory. Additionally, the Agent may, at any time in its sole discretion, require the Borrowers to permit the Agent in its own name or any designee of the Agent in its own name to verify the individual account balances of or any other matter relating to the individual Account Debtors immediately upon its request therefor by mail, telephone, telegraph or otherwise. The Borrowers shall cooperate fully with the Agent in an effort to facilitate and promptly conclude any such verification process. In any event, with the above described status report for the month of December of each year and upon request from the Agent,

made at any time hereafter, the Borrowers shall furnish the Agent with a then current customer and Account Debtor name and address list, together with (if requested by the Agent) updates of Equipment Collateral lists and appraisals of the Equipment Collateral and/or the Inventory Collateral. During any period during which the Borrowers may not borrow Revolving Loans under SECTION 2.01(a) or (b), or a Default or Event of Default exists, then, upon the Agent's request therefor, the Borrowers shall deliver to the Agent copies of proof of delivery and the original copy of all documents, including, without limitation, repayment histories and present status reports relating to all accounts listed on any Borrowing Base Certificate and such other matters and information relating to the status of the Accounts of the Borrowers as the Agent shall reasonably request.

SECTION 5.29. Collateral Location Waivers. With respect to each of the Collateral Locations, the Borrowers will obtain such waivers of lien, estoppel certificates or subordination agreements as the Collateral Agent may reasonably require to insure the priority of its security interest in that portion of the Collateral situated at such locations, such waivers to be obtained within (i) 30 days after the Closing Date, for Collateral Locations as to which the dollar value of the Collateral at such Collateral Location is in excess of $1,600,000, and (ii) 60 days after the Closing Date, for all other Collateral Locations.

SECTION 5.30. Mexican Foreign Stock Pledge. Within 60 days after the Closing Date, the Parent shall (i) execute and deliver to the Collateral Agent such pledge or other agreement, and effect such registration or take such other action, as may be required pursuant to applicable Mexican law to enable the Collateral Agent to enforce in Mexico the pledge of stock in Burgundy Interamericana, S.A. de C.V. described in the Foreign Stock Pledge Agreement, (ii) deliver to the Collateral Agent a favorable opinion acceptable to the Required Lenders regarding

such enforceability from Mexican counsel acceptable to the Required Lenders and (iii) deliver in pledge the original stock certificates evidencing such shares, together with executed blank stock powers related thereto.

SECTION 5.31. Payment of Taxes On and Use of Collateral. The Borrowers shall timely pay all taxes and other charges against the Collateral, and the Borrowers will not use the Collateral illegally.

SECTION 5.32. Dispositions of Equipment Collateral. The Borrowers will not sell, lease, exchange, arrange for a sale and leaseback, or otherwise dispose of any of the Equipment Collateral without the prior written consent of the Collateral Agent (acting at the direction of the Required Lenders); provided, however, that, with notice to, but without the necessity of consent of, the Collateral Agent, from time to time hereafter, in the ordinary course of Borrowers' business for so long as no Default or Event of Default exists, the Borrowers may (i) sell such portions of its Equipment Collateral which in the aggregate during any 12 month period, has a market value or a book value, whichever is more, of $500,000 or less, provided that the proceeds are remitted to the Agent and applied as mandatory prepayment of the Term Loan under SECTION 2.10(c), and (ii), sell, exchange or otherwise dispose of portions of its Equipment Collateral which are obsolete, worn-out or unsuitable for continued use by the Borrowers if such Equipment Collateral is replaced promptly upon its disposition with equipment constituting Equipment Collateral having a market value equal to or greater than the Equipment Collateral so disposed of and in which the Collateral Agent shall obtain and have a first priority security interest pursuant hereto subject only to Permitted Encumbrances.

SECTION 5.33. Changes to Federal Taxpayer Identification Number. No Borrower may change its federal taxpayer identification number without 30 days' prior written notice to the Collateral Agent.

SECTION 5.34. Changes in Credit Collection Policy and Practices; Discounts and Allowances. The Borrower has furnished to each of the Lenders a copy of its credit collection policy and practices in effect on the Closing Date, and shall not make any material change in such credit collection policy and practices without the prior written consent of the Agent (acting at the direction of the Required Lenders). Upon the granting of any discounts, allowances or credits by a Borrower in excess of $250,000, or not in the

ordinary course of business and which in either case are not shown on the face of the invoice for the account involved, such Borrower shall promptly report such discounts, allowances or credits, as the case may be, to the Agent and in no event later than the time of its submission to the Agent of the next status report as required by SECTION 5.28. In the event any amounts due and owing in excess of $250,000 are in dispute between any Borrower and any Account Debtor, such Borrower shall provide the Agent with a report thereon, explaining in detail the reason for the dispute, all claims related thereto and the amount in controversy. During the existence of an Event of Default, and without affecting the Borrowers' liability with respect to the Obligations, the Agent, in the exercise of its sole discretion, may settle disputes and otherwise deal with the Account Debtors and the Borrowers shall reimburse the Agent as a part of the Obligations any out-of-pocket expenses incurred by the Agent in connection therewith.

SECTION 5.35. Taxes Owing with Respect to Accounts

Each Borrower shall notify the Agent if any Account of such Borrower includes any such tax due to any governmental taxing authority. If an account of any Borrower includes a charge for any tax payable to any governmental taxing authority, the Agent is authorized, in its sole discretion, to pay the amount thereof to the proper taxing authority for the account of such Borrower.

SECTION 5.36. Post-Closing Matters

On or before: (i) July 27, the Borrowers shall furnish to the Agent, in sufficient counterparts for delivery of a counterpart to each Lender and retention of one counterpart by the Agent, a favorable opinion letter satisfactory to the Agent and the Lenders of Cleary, Gottlieb, Steen & Hamilton, New York counsel for the Borrowers, dated as of the Closing Date, as to enforceability of the Credit Agreement, the Notes and the other Credit Documents (other than the Security Agreement and the Mortgages) under the laws of the State of New York; and (ii) 30 days after the Closing Date, the Borrowers shall deliver to the Agent a duly executed consent of Aladdin Manufacturing Corporation, consenting to the assignment described in item (a) of Exhibit A to the Assignment Agreement described in Section 9.01(j). In addition, the Agent is obtaining and will furnish to the Lenders a favorable opinion letter of Stites & Harbison, Kentucky counsel for the Lenders, dated as of the Closing Date, as to enforceability and the sufficiency of the form of the Mortgage and the Mortgage Amendment under the laws of the Commonwealth of Kentucky.

ARTICLE 6
DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) any Borrower shall fail to pay when due any principal of any Loan or any Reimbursement Obligations with respect to any Letter of Credit, or shall fail to pay any interest on any Loan within 3 Domestic Business Days after such interest shall become due, or shall fail to pay any fee or other Obligations within 3 Domestic Business Days after such fee or other Obligation becomes due; or

(b) any Borrower shall fail to observe or perform any covenant contained in:

(i) SECTIONS 5.01(f), 5.02(a)(ii), 5.02(b), 5.03(i) and (ii), 5.04 through 5.06, inclusive, 5.15 through 5.22, inclusive and 5.28, and 5.32;

(ii) SECTION 5.01(a) through (d), inclusive, and such failure shall not have been cured within 10 Business Days after the earlier to occur of (1) written notice thereof has been given to the Borrowers by the Agent or (2) any of the Borrowers otherwise becomes aware of any such failure; and

(iii) for the first Fiscal Year after the Closing Date only, SECTION 5.28 and such failure shall not have been

cured within 5 Business Days after the earlier to occur of (1) written notice thereof has been given to the Borrowers by

the Agent or (2) any of the Borrowers otherwise becomes aware of any such failure, or

(c) any Borrower shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by paragraph (a) or (b) above) or any Credit Document and such failure shall not have been cured within 30 days after the earlier to occur of (i) written notice thereof has been given to the Borrowers by the Agent or (ii) any of the Borrowers otherwise becomes aware of any such failure; or

(d) any representation, warranty, certification or statement made by any Borrower in ARTICLE 4 of this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Credit Document shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or

(e) any Borrower shall fail to make any payment in respect of Debt outstanding (other than the Notes) or under any document or agreement pertaining to any Letter of Credit when due or within any applicable grace period; or

(f) any event or condition shall occur which results in the acceleration of the maturity of Debt outstanding of any Borrower or any Subsidiary in an aggregate principal amount of $250,000 or more (including, without limitation, any required mandatory prepayment or "put" of such Debt to any Borrower or any Subsidiary) or enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Debt or commitment or any Person acting on such holders' behalf to accelerate the maturity thereof or terminate any such commitment prior to its normal expiration (including, without limitation, any required mandatory prepayment or "put" of such Debt to any Borrower or any Subsidiary); or

(g) any Borrower or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against any Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against any Borrower or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) any Borrower, any Subsidiary or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by any Borrower, any Subsidiary, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce SECTION 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30

days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(j) (i) one or more judgments or orders of any court or other judicial body for the payment of money in an aggregate amount in excess of $250,000 (in excess of amounts covered by insurance) shall be rendered after the Closing Date against any Borrower or any Subsidiary and such judgment or order shall either continue unsatisfied and unstayed for a period of 30 days or give rise to a Lien on any Collateral at any time; or (ii) a warrant or writ of attachment or execution or similar process shall be issued against any property of any Borrower or any Subsidiary which exceeds, individually or together with all other such warrants, writs and processes since the Closing Date, $250,000 (in excess of amounts covered by insurance) and such warrant, writ or process shall not be discharged, vacated, stayed or bonded for a period of 30 days; provided, however, that in the event a bond has been issued in favor of the claimant or other Person obtaining such attachment or writ, the issuer of such bond shall execute a waiver or subordination agreement in form and substance satisfactory to the Agent pursuant to which the issuer of such bond subordinates its right of reimbursement, contribution or subrogation to the Obligations and waives or subordinates any Lien it may have on the assets of any Borrower or any Subsidiary; or

(k) (i) except as a result of the exercise of any of the "Warrants", as defined in the Senior Subordinated Notes Purchase Agreement, the beneficial ownership or acquisition in any transaction or series of related transactions of 50% or more of the combined voting power of all then issued and outstanding Voting Stock of the Parent by any Person (together with any of its Affiliates) holding 10% or more of the combined voting power of the issued and outstanding Voting Stock of the Parent as of the Closing Date, acting alone or in concert with one or more Persons, or (ii) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of the voting stock of the Parent; or (iii) as of any date a majority of the Board of Directors of the Parent consists of individuals who were not either (A) directors of the Parent as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Parent of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Parent of which a majority consisted of individuals described in clause (A) and individuals described in clause (B), or (iv) the Parent or any of its Subsidiaries shall merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person except that (x) any Subsidiary of the Parent may merge or consolidate

with or into, or dispose of assets to the Parent or any other Wholly-Owned Subsidiary of the Parent or (y) the Parent or any Subsidiary may merge with any other Person so long as the Parent or such Subsidiary is the surviving entity; or

(l) (i) the loss of a material part of the business from any customer of any of the Borrowers which, during the Fiscal Year ended prior to such loss thereof, accounted for 15% or more of the aggregate sales of the Borrowers, or (ii) the termination of the license from Disney Enterprises, Inc., or (iii) the termination of any license agreement with any other licensor, if the license or licenses utilized under such license agreement was or were necessary for sales which, during the Fiscal Year ended prior to such termination, accounted for 15% or more of the aggregate sales of the Borrowers; or

(m) if, on any day, any Borrower could not truthfully make the representations and warranties contained in SECTION 4.16; or

(n) there shall have occurred material uninsured damage to, or loss, theft or destruction of, any material part of the Collateral; or

(o) any strike, lockout, labor dispute, embargo, condemnation,

act of God or public enemy, or other casualty or injunction, court order, or order or act of a governmental authority which causes, for more than thirty (30) consecutive days beyond the coverage period of any applicable business interruption insurance, the cessation or substantial curtailment of revenue producing activities at any facility of any Borrower or any Subsidiaries if any such event or circumstance could reasonably be expected to have a Material Adverse Effect; or

(p) if E. Randall Chestnut, as chief executive officer of the Parent, or Nanci Freeman, as President and Chief Executive Officer of Crown Crafts Infant Products, Inc., shall cease for any reason (including death or disability), respectively, to hold such offices, and a replacement of either individual in their respective offices, which replacement must be reasonably satisfactory to the Required Lenders, is not appointed within 90 days of the absence of such individuals from their respective offices;

(q) if the Collateral Agent ceases to hold a perfected Lien on the Collateral, except as described in the Credit Documents, or any Person shall take any action to discontinue or to assert the invalidity or unenforceability of such security interest or the assignment under the Assignment Agreement described in Section 9.01(j) shall cease to be valid;

then, and in every such event, the Agent will, if requested by the Required Lenders: (i) by notice to the Borrowers terminate the Commitments and they shall thereupon terminate and terminate Wachovia's obligations to issue Letters of Credit hereunder; (ii) by notice to the Borrowers declare the Notes (together with accrued interest thereon), and all other amounts payable hereunder and under the other Credit Documents, to be, and the same shall thereupon become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers, together with interest at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default; provided that if any Event of Default specified in paragraph (g) or (h) above occurs with respect to the Borrowers, without any notice to the Borrowers or any other act by the Agent or the

Lenders, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) and all other amounts payable hereunder and under the other Credit Documents shall automatically and without notice become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers, together with interest thereon at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default; or (iii) exercise any rights, powers or remedies under this Agreement and the other Credit Documents. In addition, upon the occurrence of an Event of Default, to the extent of any existing Letter of Credit Obligations, the Borrower shall pay to the Collateral Agent 110% of the amount thereof, which amount shall be set aside the amounts so advanced as a collateral reserve for payment of the Reimbursement Obligations relating to Letters of Credit which are subsequently funded. After all Letters of Credit have been cancelled and all Reimbursement Obligations have been satisfied, and Wachovia has been reimbursed all amounts funded by it with respect thereto, any balance remaining in said collateral reserve may be applied to other amounts owed by the Borrowers hereunder, and, if none, shall be remitted to the relevant Borrower. Notwithstanding the foregoing, the Collateral Agent shall have available to it all other remedies at law or equity, and shall exercise any one or all of them at the request of the Required Lenders. In no event may any Lender or Lenders exercise any rights, remedies or powers with respect to the Obligations, this Credit Agreement and the other Credit Documents without the consent of the Agent and the Required Lenders.

SECTION 6.02. Notice of Default. The Agent shall give notice to the Borrowers of any Default promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

SECTION 6.03. Remedies with Respect to Collateral.

(a) Upon the occurrence of an Event of Default, and subject to the provisions of the Intercreditor Agreement, the Collateral Agent or any representative of Collateral Agent shall have the rights and remedies of a secured party under the UCC in effect on the date thereof (regardless of whether

the same has been enacted in the jurisdiction where the rights or remedies are asserted), including, without limitation, the right to require the Borrowers to assemble the Collateral, at the Borrowers' expense, and make it available to the Collateral Agent at a place designated by the Collateral Agent which is reasonably convenient to both parties, and enter any premises where any of the Collateral shall be located and to keep and store the Collateral on said premises until sold (and if said premises be the property of any Borrower or any of its Subsidiaries, such Borrower agrees not to charge the Collateral Agent for storage thereof), to take possession of any of the Collateral or the proceeds thereof, to sell or otherwise dispose of the same, and the Collateral Agent shall have the right to conduct such sales on the premises of the Borrowers, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. The Collateral Agent may sell, lease or dispose of Collateral for cash, credit, or any combination thereof, and shall have the right to appoint a receiver of the Account's Receivable Collateral and the Inventory Collateral or any part thereof, and the right to apply the proceeds therefrom as set forth in SECTION 6.03(b) below. The Collateral Agent shall give the Borrowers written notice of the time and place of any public sale of the Collateral or the time after which any other intended disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is given to the Borrowers at least 10 days

before such disposition. Expenses of retaking, verifying, restoring, holding, insuring, collecting, preserving, liquidating, protecting, preparing for sale or selling, or otherwise disposing of or the like with respect to the Collateral shall include, in any event, reasonable attorneys' fees and other legally recoverable collection expenses, all of which shall constitute a part of the Obligations.

(b) Subject to the provisions of the Intercreditor Agreement, Proceeds of any of the Collateral and payments by the Borrowers during the existence of an Event of Default received by the Collateral Agent or any Lender shall be applied, by the Collateral Agent in accordance with the provisions of SECTION 2.11(e), and, after all of the Obligations have been paid in full and no Letters of Credit or Interest Rate Protection Agreement or liability with respect thereto remains outstanding, then, such excess proceeds shall be payable to the Borrowers or any other Person as required by applicable law. In the event that the proceeds of the Collateral are not sufficient to pay the Obligations in full, the Borrowers shall remain liable for any deficiency.

(c) The Borrowers hereby waive all rights which the Borrowers have or may have under and by virtue of O.C.G.A. CH. 44-14, including, without limitation, the right of the Borrowers to notice and to a judicial hearing prior to seizure of any Collateral by the Collateral Agent.

(d) Unless and except to the extent expressly provided for to the contrary herein, the rights of the Collateral Agent specified herein shall be in addition to, and not in limitation of, the Collateral Agent's or Lender's rights under the UCC, or any other statute or rule of law or equity, or under any other provision of any of the Credit Documents, or under the provisions of any other document, instrument or other writing executed by the Borrowers or any third party in favor of Collateral Agent, all of which may be exercised successively or concurrently.

(e) The Collateral Agent is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, tradenames, trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral, and the Borrowers' rights under all licenses and all franchise agreements shall inure to the Collateral Agent's benefit.

(f) Neither the Collateral Agent nor any Lender shall be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except the Collateral Agent for reasonable care in the custody thereof while any Collateral is in the Collateral Agent's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever, but the same shall be at the Borrowers' sole risk.

(g) Neither the Collateral Agent nor any Lender shall be under any obligation to marshal any assets in favor of any of the Borrowers or any other Person or against or in payment of any or all of the Obligations.

SECTION 6.04. Power of Attorney. Each Borrower irrevocably designates and appoints the Collateral Agent its true and lawful attorney, during the existence of an Event of Default, either in the name of the Collateral Agent or in the name of such Borrower to ask for,

demand, sue for, collect, compromise, compound, receive, receipt for and give acquittances for any and all sums owing or which may become due upon any items of the Inventory Collateral or the Accounts Receivable Collateral and, in connection therewith, to take any and all actions as the Collateral Agent may deem necessary or desirable in order to realize upon the Inventory Collateral and the Accounts Receivable Collateral, including, without limitation, power to endorse in the name of such Borrower, any checks, drafts, notes or other instruments received in payment of or on account of the Inventory Collateral or the Accounts Receivable Collateral, but the Collateral Agent shall not be under any duty to exercise any such authority or power or in any way be responsible for the collection of the Inventory Collateral or the Accounts Receivable Collateral.

ARTICLE 7
THE AGENT AND THE LENDERS

SECTION 7.01. Appointment; Powers and Immunities.

(a) Each Lender (and Wachovia, with respect to the Letter of Credit Obligations) hereby irrevocably appoints and authorizes the Agent (including its successors by merger) to act as its agent hereunder and under the other Credit Documents with such powers as are specifically delegated to the Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. The Agent: (i) shall have no duties or responsibilities except as expressly set forth in this Agreement and the other Credit Documents, and shall not by reason of this Agreement or any other Credit Document be a trustee for any Lender; (ii) shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement or any other Credit Document, or in any certificate or other document referred to or provided for in, or received by any Lender under this Agreement or any other Credit Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document or any other document referred to or provided for herein or therein or for any failure by any Borrower to perform any of its obligations hereunder or thereunder; (iii) shall not be required to initiate or conduct any litigation or collection proceedings hereunder or under any other Credit Document except to the extent requested by the Required Lenders, and then only on terms and conditions which do not, in the reasonable judgment of the Agent, subject the Agent to any undue risk; and (iv) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other Credit Document or any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The provisions of this ARTICLE 7 are solely for the benefit of the Agent and the Lenders, and no Borrower shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and under the other Credit Documents, the Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrowers. The duties of the Agent shall be ministerial and administrative in nature, and the Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Lender. The Agent shall remit to the Lenders, as soon as

reasonably practical following receipt thereof, all payments and other amounts received by it hereunder for the account of the Lenders.

(b) Unless and until its authority to do so is revoked in writing by the Required Lenders, the Agent alone shall be authorized to determine whether any accounts or inventory of any Borrower constitute Eligible Accounts or Eligible Inventory, or whether to impose or release any reserve, and to exercise its own credit judgment in connection therewith, which determinations and judgments, if exercised in good faith, shall exonerate Agent from any liability to any Lender or any other Person for any errors in judgment.

(c) The Agent (or the Collateral Agent, as the case may be) shall have the sole and exclusive right and authority to (i) act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with this Agreement and the other Credit Documents; (ii) execute and deliver each Credit Document (other than this Credit Agreement) on behalf of the Lenders and accept delivery of each such agreement delivered by any Borrower or any other Person;(iii) act as collateral agent for the Lenders for purposes of the perfection of all security interests and Liens created by this Agreement or the Security Documents with respect to all material items of the Collateral and, subject to the direction of the Required Lenders, for all other purposes stated therein; (iv) subject to the direction of the Required Lenders, manage, supervise or otherwise deal with the Collateral; and (v) except as may be otherwise specifically restricted by the terms of this Agreement and subject to the direction of the Required Lenders, exercise all remedies given to the Agent, the Collateral Agent or Lenders with respect to any of the Collateral under the Credit Documents relating thereto, or under applicable law or otherwise. As to any matters not expressly provided for otherwise by this Agreement or any other Credit Document, the Agent and the Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and thereunder in accordance with instructions signed by the Required Lenders, and such instructions of the Required Lenders to the Agent or the Collateral Agent in any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

SECTION 7.02. Reliance by Agent. The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopier, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants or other experts selected by the Agent.

SECTION 7.03. Defaults. The Agent shall not be deemed to have knowledge of the occurrence of a Default or an Event of Default (other than the nonpayment of any of the Obligations) unless the Agent has received written notice from a Lender or any Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default," each of the Lenders hereby agreeing to promptly notify in writing the Agent of any Default to which such Lender obtains knowledge. In the event that the Agent receives such a notice of the occurrence of a Default or an Event of Default, the Agent shall give prompt notice thereof to the Lenders. The Agent shall give each Lender prompt notice of each nonpayment of any of the Obligations whether or not it has received any notice of the occurrence of such nonpayment.

SECTION 7.04. Rights of Agent and its Affiliates as a Lender. With respect to the Loans made by the Agent and any Affiliate of the Agent or the Collateral Agent, Wachovia in its capacity as a Lender hereunder and any Affiliate of the Agent or such Affiliate in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though Wachovia were not acting as the Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Wachovia in its individual capacity and any Affiliate of the Agent in its individual capacity. The Agent and any Affiliate of the Agent may (without having to account therefor to any Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrowers (and any of the Borrowers' Affiliates) as if Wachovia were not acting as the Agent, and the Agent and any Affiliate of the Agent may accept fees and other consideration from the Borrowers (in addition to any agency fees and arrangement fees heretofore agreed to between the Borrowers and the Agent) for services in connection with this Agreement or any other Credit Document or otherwise without having to account for the same to the Lenders and Agent shall not be subject to any liability by reason of its acting or refraining to act

pursuant to any request of the Required Lenders except as a result of its own willful misconduct or gross negligence.

SECTION 7.05. Indemnification. Each Lender severally agrees to indemnify the Agent and hold the Agent harmless from, to the extent the Agent shall not have been reimbursed by the Borrowers, ratably in accordance with its Commitment, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits (including, without limitation, counsel fees and disbursements), and costs and expenses (but not fees) Agent may be required to bear with respect to any lockbox or collateral collection account arrangement, or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other Credit Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (excluding the normal out-of-pocket administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or thereof or any such other documents; provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent. If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

SECTION 7.06. Payee of Note Treated as Owner. The Agent may deem and treat each Person in whose name a Loan is registered as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent and the provisions of SECTION 10.08(c) have been satisfied. Any requests, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of that Note or of any Note or Notes issued in exchange therefor or replacement thereof.

SECTION 7.07. Nonreliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Agent or any other Lender, and

based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrowers and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Credit Documents. Except as expressly provided in SECTION 7.03, the Agent shall not be required to keep itself (or any Lender) informed as to the performance or observance by the Borrowers of this Agreement or any of the other Credit Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of the Borrowers or any other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder or under the other Credit Documents, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrowers or any other Person (or any of their Affiliates) which may come into the possession of the Agent.

SECTION 7.08. Failure to Act. Except for action expressly required of the Agent hereunder or under the other Credit Documents, the Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction by the Lenders of their indemnification obligations under SECTION 7.05 against any and all liability and expense which may be incurred by the Agent by reason of taking, continuing to take, or failing to take any such action. In any event, if the Agent requests in writing the authorization or direction of the Required Lenders (or all Lenders if required) and the Lenders do not timely respond to such request in writing, the Agent may act or refrain from acting with respect to the matters set forth in such request by the Agent without liability to any of the Lenders with respect to such matters.

SECTION 7.09. Resignation of Agent. Subject to the

appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Lenders and the Borrowers. Upon any such resignation the Required Lenders shall have the right to appoint a successor Agent, subject to the consent of the Borrowers, if no Event of Default is in existence, which consent shall not be unreasonably withheld or delayed. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent's notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent. Any successor Agent shall be a Lender hereunder or other bank or financial institution which has a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this ARTICLE 7 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder.

SECTION 7.10. Joinder of Lenders. The rights, remedies, powers and privileges conferred upon the Agent hereunder and under the other Credit Documents may be

exercised by the Agent without the necessity of the joinder of any other parties unless otherwise required by applicable law.

SECTION 7.11. Agreements Regarding Collateral. Each Lender shall have an interest, in accordance with its Commitment Percentage, in the security interests and Liens in and to the Collateral and any other assets granted and assigned to the Collateral Agent under the Credit Documents. The Lenders hereby irrevocably authorize the Collateral Agent, at its option and in its discretion, to release any Lien upon any Collateral (i) as authorized by this Agreement or any of the other Credit Documents, (ii) upon the termination of the Commitments and payment or satisfaction of all of the Obligations, or (iii) constituting Equipment Collateral sold or disposed of in accordance with the terms of this Agreement if the Borrowers certify to the Collateral Agent that the disposition is made in compliance with the terms of this Agreement (and the Collateral Agent may rely conclusively on any such certificate, without further inquiry). Except as expressly authorized or required by this Agreement or applicable law, the Collateral Agent shall not execute any release or termination of any Lien upon any of the Collateral without the prior written authorization of all Lenders. The Collateral Agent shall have no obligation whatsoever to any of the Lenders to assure that any of the Collateral exists or is owned by any Borrower or is cared for, protected or insured or has been encumbered, or that the Collateral Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected or enforced or entitled to any particular priority or to exercise at all or in any manner or under any duty of care, disclosure or fidelity, other than gross negligence or willful misconduct, or to continue exercising, any of the rights or powers granted or available to the Collateral Agent pursuant to this Agreement or any of the other Credit Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Collateral Agent may act in any manner it may deem appropriate, in its discretion, given the Collateral Agent's own interests in the Collateral in its capacity as one of the Lenders.

SECTION 7.12. Agent Field Audits. The Agent shall promptly, upon receipt thereof, forward to each Lender copies of the results of any field audits by the Agent with respect to the Borrowers. The Agent shall have no liability to any Lender for any errors in or omissions from any field audit or other examination of the Borrowers or the Collateral, unless such error or omission was the direct result of the Agent's willful misconduct.

SECTION 7.13. Designation of Co-Agent. It is the purpose of this Agreement that there shall be no violation of any applicable law denying or restricting the right of financial institutions to transact business as an agent in any jurisdiction. It is recognized that, in case of litigation under any of the Credit Documents, or in case the Agent or the Collateral Agent deems that by reason of present or future laws of any jurisdiction the Agent or the Collateral Agent might be prohibited from exercising any of the powers, rights

or remedies granted to the Agent, the Collateral Agent or the Lenders hereunder or under any of the Credit Documents or from holding title to or a Lien upon any Collateral or from taking any other action which may be necessary hereunder or under any of the Credit Documents, the Agent or the Collateral Agent may appoint an additional Person or Persons as a separate agent, collateral agent or co-agent or co-collateral agent which is not so prohibited from taking any of such actions or exercising any of such powers, rights or remedies. If the Agent or the Collateral Agent shall appoint an additional Person as a separate agent, collateral agent or co-agent or co-collateral agent as provided above, each and every remedy, power, right, claim, demand or cause

of action intended by this Agreement and any of the Credit Documents and every remedy, power, right, claim, demand or cause of action intended by this Agreement and any of the Credit Documents to be exercised by or vested in or conveyed to the Agent or the Collateral Agent, as applicable, with respect thereto shall be exercisable by and vested in such separate agent, collateral agent or co-agent or co-collateral agent, but only to the extent necessary to enable such separate agent, collateral agent or co-agent or co-collateral agent to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate agent, collateral agent or co-agent or co-collateral agent shall run to and be enforceable by any of them. Should any instrument from the Lenders be required by the separate agent, collateral agent or co-agent or co-collateral agent so appointed by the Agent or the Collateral Agent in order more fully and certainly to vest in and confirm to him or it such rights, powers, duties and obligations, any and all of such instruments shall, on request, be executed, acknowledged and delivered by the Lenders whether or not a Default or Event of Default then exists. In case any separate agent, collateral agent or co-agent or co-collateral agent, or a successor thereto, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, power, duties and obligations of such separate agent, collateral agent or co-agent or co-collateral agent, so far as permitted by applicable law, shall vest in and be exercised by the Agent or the Collateral Agent until the appointment of a new agent or collateral agent or successor to such separate agent or collateral agent or co-agent or co-collateral agent.

SECTION 7.14. Replacement of Certain Lenders. If a Lender ("Affected Lender") shall have (i) failed to fund its Commitment Percentage of any Loan requested by the Borrowers which such Lender is obligated to fund under the terms of this Agreement and which such failure has not been cured, (ii) requested compensation from the Borrowers under SECTION 8.05 to recover increased costs incurred by such Lender (or its parent or holding company) which are not being incurred generally by the other Lenders (or their respective parent or holding company), or (iii) delivered (or its respective parents' or holding companies shall have delivered) a notice pursuant to ARTICLE 8 claiming that such Lender (or its affiliate) is unable to extend Euro-Dollar Loans to the Borrowers for reasons not generally applicable to the other Lenders, then, in any such case and in addition to any other rights and remedies that the Agent, any other Lender or the Borrowers may have against such Affected Lender, the Borrowers or the Agent may make written demand on such Affected Lender (with a copy to the Agent in the case of a demand by the Borrowers and a copy to the Borrowers in the case of a demand by the Agent) for the Affected Lender to assign, and such Affected Lender shall assign pursuant to one or more duly executed Assignment and Acceptances within five (5) Business Days after the date of such demand, to one or more Lenders willing to accept such assignment or assignments, or to one or more Assignees approved by the Agent, all of such Affected Lender's rights and obligations under this Agreement (including its Commitments and all Obligations owing to it) in accordance with SECTION 10.08; provided, however, the Agent shall have no duty to locate an Assignee for the purposes of accepting such assignment. The Agent is hereby irrevocably authorized to execute one or more Assignment and Acceptances as attorney-in-fact for any Affected Lender which fails or refuses to execute and deliver the same within five (5) Business Days after the date of such demand. The Affected Lender shall be entitled to receive, in case and concurrently with execution and delivery of each such Assignment and Acceptance, all amounts owed to the Affected Lender hereunder or under any other Credit Document, including the aggregate outstanding principal amount of the Obligations owed to such Lender, together with accrued interest thereon through the date of such assignment. Upon the replacement of any

Affected Lender pursuant to this SECTION 7.14, such Affected Lender shall cease to have any participation in, entitlement to, or other right to share in the Liens of the Collateral Agent in any Collateral and such Affected Lender shall have no further liability to the Agent, any Lender or any other Person under any of the Credit Documents (except with respect to events or transactions which occur prior to the replacement of such Affected Lender), including any commitment to make Loans or purchase any participations in the Wachovia Letters of Credit.

ARTICLE 8
CHANGE IN CIRCUMSTANCES; COMPENSATION

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period:

(a) the Agent determines that deposits in Dollars (in the applicable amounts) are not being offered in the relevant market for such Interest Period, or

(b) the Required Lenders advise the Agent that the London Interbank Offered Rate, as determined by the Agent will not adequately and fairly reflect the cost to such Lenders of funding the relevant type of Euro-Dollar Loans for such Interest Period,

the Agent shall forthwith give notice thereof to the Borrowers and the Lenders, whereupon until the Agent notifies the Borrowers that the circumstances giving rise to such suspension no longer exist, the obligations of the Lenders to make the type of Euro-Dollar Loans specified in such notice shall be suspended. Unless the Borrowers notify the Agent at least 2 Domestic Business Days before the date of any Borrowing of such type of Euro-Dollar Loans for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.02. Illegality. If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein or any existing or future law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (any such agency being referred to as an "Authority" and any such event being referred to as a "Change of Law"), or compliance by any Lender (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority shall make it unlawful or impossible for any Lender (or its Lending Office) to make, maintain or fund its Euro-Dollar Loans or issue any Letters of Credit and such Lender shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Lenders and the Borrowers, whereupon until such Lender notifies the Borrowers and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans or issue Letters of Credit shall be suspended. Before giving any notice to the Agent pursuant to this SECTION, such Lender shall designate a different Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such Lender shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and or issue Letters of Credit and shall so specify in such notice, the Borrowers shall immediately prepay in full the then outstanding principal amount of each Euro-Dollar Loan of such Lender and pledge

to the Agent cash collateral equal to 110% of the outstanding Letter of Credit Obligations, together with accrued interest thereon and any amount due such Lender pursuant to SECTION 8.05(a). Concurrently with prepaying each such Euro-Dollar Loan the Borrowers shall borrow a Base Rate Loan in an equal principal amount from such Lender (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders), and such Lender shall make such a Base Rate Loan.

SECTION 8.03. Increased Cost and Reduced Return.

(a) If after the date hereof, a Change of Law or compliance by any Lender (or its Lending Office) with any request or directive (whether or not having the force of law) of any Authority:

(i) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit or letter of credit extended by, any Lender (or its Lending Office); or

(ii) shall impose on any Lender (or its Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, Letters of Credit, its Notes or its obligation to make Euro-Dollar Loans;

and the result of any of the foregoing is to increase the cost to such Lender (or its Lending Office) of making or maintaining any Loan or Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount reasonably deemed by such Lender to be material, then, within 30 days after demand by such Lender (with a copy to the Agent), the Borrowers shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender shall have determined in good faith that after the date hereof the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof, or compliance by any Lender (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any Authority, has or would have the effect of reducing the rate of return on such Lender's capital (or the capital of any corporation controlling such Lender) as a consequence of its obligations (whether with respect to Loans or the Letters of Credit) hereunder to a level below that which such Lender (or any corporation controlling such Lender) could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount reasonably deemed by such Lender to be material, then from time to time, within 30 days after demand by such Lender, the Borrowers shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) Each Lender will promptly notify the Borrowers and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this SECTION and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this SECTION and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

(d) The provisions of this SECTION 8.03 shall be applicable with respect to any Participant, Assignee or other Transferee, and any calculations required by such provisions shall be made based upon the circumstances of such Participant, Assignee or other Transferee.

SECTION 8.04. Base Rate Loans or Other Euro-Dollar Loans Substituted for Affected Euro-Dollar Loans. If (i) the obligation of any Lender to make or maintain any type of Euro-Dollar Loans has been suspended pursuant to SECTION 8.02 or (ii) any Lender has demanded compensation under SECTION 8.03, and the Borrowers shall, by at least 5 Euro-Dollar Business Days' prior notice to such Lender through the Agent, have elected that the provisions of this SECTION shall apply to such Lender, then, unless and until such Lender notifies

the Borrowers that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Lender as Euro-Dollar Loans shall be made instead as Base Rate Loans (in all cases interest and principal on such Loans shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

SECTION 8.05. Compensation. Upon the request of any Lender (except as to payments of Yield-Maintenance Amount on the Term Loans as contemplated in the proviso in subsection (a) below, as to which no request shall be necessary), delivered to the Borrowers and the Agent, the Borrowers shall pay to such Lender such amount or amounts as shall compensate such Lender for any loss, cost or expense incurred by such Lender as a result of:

(a) any payment or prepayment (pursuant to SECTION 2.09, 2.10, 2.11, 6.01, 8.02 or otherwise, other than a payment on the Term Loans pursuant to SECTION 2.01(c)) of a Euro-Dollar Loan on a date other than the last day of an Interest Period for such Loan or of the Term Loans; provided, that the Yield-Maintenance Amount shall be payable (i) in connection with any payment of principal following a declaration that all principal of the Term Loans is immediately due and payable pursuant to SECTION 6.01, (ii) following the commencement of any case under the Bankruptcy Code in which any Borrower is the debtor and (iii) where mutually agreed by the Borrowers and the Lenders; or

(b) if the Lenders permit prepayment of a Euro-Dollar Loan on any day other than the last day of the Interest Period with respect thereto, or any prepayment of the Term Loans, any failure by the Borrowers to prepay such Euro-Dollar Loan or Term Loan on the date for such prepayment specified in the relevant notice of prepayment; or

(c) any failure by the Borrowers to borrow a Euro-Dollar Loan on the date for the Euro-Dollar Borrowing of which such Euro-Dollar Loan is a part specified in the applicable Notice of Borrowing delivered pursuant to SECTION 2.02;

such compensation to include, without limitation: (1) with respect to Euro-Dollar Loans, an amount equal to the excess, if any, of (x) the amount of interest which would have accrued on the amount so paid or prepaid or not prepaid or borrowed for the period from the date of such payment, prepayment or failure to prepay or borrow to the last day of the then current Interest Period for such Euro-Dollar Loan (or, in the case of a failure to prepay or borrow, the Interest Period for such Euro-Dollar Loan which would have commenced on the date of such failure to prepay or borrow) at the applicable rate of interest for such Euro-Dollar Loan provided for herein over (y) the amount of interest (as reasonably determined by such Lender) such Lender would have paid on deposits in Dollars of comparable amounts having terms comparable to such period placed with it by leading banks in the London interbank market (if such Euro-Dollar Loan is a Euro-Dollar Loan); and (2) with respect to the Term Loans, the Yield-Maintenance Amount.

ARTICLE 9
CONDITIONS TO BORROWINGS AND ISSUANCE OF LETTERS OF CREDIT

SECTION 9.01. Conditions to Initial Borrowing and Issuance of Any Letter of Credit. The obligation of each Lender to make a Loan or Wachovia to issue a Letter of Credit on the occasion of the initial Borrowing or issuance of a Letter of Credit is subject to the satisfaction of the conditions set forth in SECTION 9.02 and receipt by the Agent of the following (as to the documents described in paragraphs (a), (c), (d) and (e) below, in sufficient number of counterparts for delivery of a counterpart to each Lender and retention of one counterpart by the Agent):

(a) from each of the parties hereto of either (i) a duly executed counterpart of this Agreement signed by such party or (ii) a facsimile transmission of such executed counterpart, with the original to be sent to the

Agent by overnight courier;

(b) a duly executed Revolving Loan Note for the account of each Lender and a duly executed Term Loan Note for the account of each Lender, in each case complying with the provisions of SECTION 2.03;

(c) an opinion letter of Rogers & Hardin LLP, counsel for the Borrowers, dated as of the Closing Date, substantially in the form of EXHIBIT B and covering such additional matters relating to the transactions contemplated hereby as the Agent or any Lender may reasonably request;

(d) an opinion of Jones, Day, Reavis & Pogue, special counsel for the Agent, dated as of the Closing Date, substantially in the form of EXHIBIT C and covering such

additional matters relating to the transactions contemplated hereby as the Agent may reasonably request;

(e) a certificate (the "Closing Certificate") substantially in the form of EXHIBIT H, dated as of the Closing Date, signed by an executive officer of the Borrowers, to the effect that (i) no Default has occurred and is continuing on the date of the first Borrowing under this Agreement, and (ii) the representations and warranties of the Borrowers contained in ARTICLE 4 are true on and as of the date of the first Borrowing hereunder;

(f) all documents which the Agent or any Lender may reasonably request relating to the existence of the Borrowers, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent, including, without limitation, a certificate of each of the Borrowers substantially in the form of EXHIBIT I (the "Officer's Certificate"), signed by the Secretary or an Assistant Secretary of such Borrower, certifying as to the names, true signatures and incumbency of the officer or officers of such Borrower authorized to execute and deliver the Credit Documents, and certified copies of the following items: (i) such Borrower's Certificate of Incorporation, (ii) such Borrower's Bylaws, (iii) a certificate of good standing or valid existence of the Secretary of State of the state of the jurisdiction of its incorporation and of each state in which it is qualified to do business as a foreign corporation, and (iv) the action taken by the Board of Directors of each of the Borrowers authorizing such Borrower's execution, delivery and performance of this Agreement, the Notes and the other Credit Documents to which such Borrower is a party;

(g) an initial Borrowing Base Certificate showing, after giving effect to any Revolving Loan Borrowings on the Closing Date or issuance of Letters of Credit, that the Borrowing Base is at least $1,000,000 in excess of the Aggregate Revolving Loan Amount Outstanding plus the Letter of Credit Obligations;

(h) duly executed counterparts of each of the Contribution Agreement, the Domestic Stock Pledge Agreement and the Foreign Stock Pledge Agreement, together with the blank stock powers and certificates pertaining thereto (or other evidence of registration or perfection of the security interests of the Collateral Agent), each Waiver Agreement requested by the Collateral Agent, and the Collateral Information Certificates, together with acknowledgment copies of duly recorded UCC-3 amendments to existing UCC-1 financing statements filed in connection with the Original Security Agreement, and any new UCC-1 financing statements requested by the Lenders, in each case in form and content satisfactory to the Collateral Agent in all respects, pertaining to the Collateral evidencing recordation thereof in all filing offices deemed necessary by the Collateral Agent, the Blocked Account Agreements and the Intercreditor Agreement;

(i) duly executed counterparts of the Mortgage Amendment, together with such UCC-3 amendments pertaining thereto as the Collateral Agent may reasonably request;

(j) duly executed counterparts of an Assignment Agreement of even date herewith, pursuant to which the Parent absolutely assigns to the Collateral Agent, for the ratable benefit of the Lenders, its right, title and interest in and to certain assets described therein in

exchange for cancellation of part of the indebtedness outstanding on the Closing Date under the Refinanced Agreements;

(k) [reserved];

(l) receipt of a payoff letter from The CIT Group/Commercial Services, Inc. ("CIT") with respect to Debt arising in connection with factoring arrangements, satisfactory to the Agent to the effect that upon payment of the payoff amount specified therein as to all Debt arising in connection with such factoring arrangements, no loans or advances shall be made thereafter under such factoring arrangements, and that termination statements and other releases as are necessary to satisfy, terminate and release all Liens obtained thereunder or in connection therewith, other than with respect to Factored Accounts, will be delivered to the Agent upon receipt by CIT of such payoff amount;

(m) duly executed counterparts of the Intercreditor Agreement and the Consent and Agreement of the Borrowers at the end thereof,

(n) to the extent reasonably available, receipt of lien searches reasonably acceptable to the Agent, showing no Liens other than (i) Permitted Encumbrances, and (ii) Liens in favor of The CIT Group/Commercial Services, Inc. to be terminated pursuant to paragraph (l) above;

(o) evidence of insurance as required by this Agreement;

(p) delivery to the Agent of a Telephone Instruction Letter in substantially the form of EXHIBIT K, and establishment of the lockboxes and the Collateral Reserve Accounts pursuant to SECTION 3.02;

(q) payment of all fees owed to the Agents and the Lenders hereunder;

(r) a Notice of Borrowing;

(s) a sources and uses of funds statement, along with an authorization and direction from the Borrowers with respect to any Loans advanced on the Closing Date;

(t) the Lenders' satisfaction with the management team and board of directors of the Parent and the duration of term limits for the board of directors;

(u) the Lenders' satisfaction with the terms and provisions of a $960,000, 24 month trust account for the benefit of the directors and officers pertaining to the restructuring of the Parent;

(v) releases of the Borrowers from the Calvin Klein license and from any other vendor related to the adult bedding line of business, except as otherwise agreed by the Lenders; and

(w) simultaneously with the closing of the transactions contemplated herein, sale of the adult bedding business pursuant to the terms and conditions contained in the term sheet

dated April 13, 2001 among the Parent and the Lenders pertaining thereto, including, without limitation, (i) the approval of the board of directors of the Parent regarding such sale, (ii) the receipt of a copy of the fairness opinion regarding such sale, and (iii) the payment to the Lenders of $8,500,000, less transaction expenses approved by the Lenders, not to exceed $3,000,000, from the proceeds of such sale for application to obligations under the Refinanced Agreements.

SECTION 9.02. Conditions to All Borrowings and Issuances of Letters of Credit. The obligation of each Lender to make a Loan, or Wachovia to issue a Letter of Credit, on the occasion of each Borrowing or issuance of a Letter of Credit is subject to the satisfaction of the following conditions:

(a) except for Refunding Loans made as Base Rate Loans, immediately before and after such Borrowing or issuance of a Letter of Credit, no Default shall have occurred and be continuing;

(b) the representations and warranties of the Borrowers contained in ARTICLE 4 shall be true on and as of the date of such Borrowing or issuance of a Letter of Credit; and

(c) immediately after such Borrowing or issuance of a Letter of Credit, the conditions set forth in clauses (A) and (B) of SECTION 2.01(a) shall have been satisfied.

Each Syndicated Loan Borrowing, each Settlement Loan Borrowing and issuance of a Letter of Credit hereunder shall be deemed to be a representation and warranty by the Borrowers on the date of such Borrowing or issuance of a Letter of Credit as to the truth and accuracy of the facts specified in paragraphs (a), (b) and (c) of this SECTION.

ARTICLE 10
MISCELLANEOUS

SECTION 10.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth on the signature pages hereof or such other address or telecopier number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this SECTION and the confirmation is received, (ii) if given by mail, 72 hours after such communication is deposited in the mail with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this SECTION; provided that notices to the Agent under ARTICLE 2 or ARTICLE 8 shall not be effective until received.

SECTION 10.02. No Waivers. The failure of a Borrower to satisfy, or the waiver by the Agent and the Lenders of, any condition set forth in ARTICLE 9 shall not constitute a waiver of any such condition with respect to any subsequent advance of a Loan, unless such waiver is expressly agreed to in writing as required by SECTION 10.06. No failure or delay by the Agent or any Lender in exercising any right, power or privilege hereunder or under any Note or other Credit Document shall operate as a waiver thereof nor shall any single

or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.03. Expenses; Documentary Taxes. The Borrowers shall pay (a) all out-of-pocket expenses (including, without limitation, all reasonable attorney and paralegal fees and expenses of the Agent or the Collateral Agent, recording costs, recording or intangible taxes and title insurance, if any) of the Agent and the Lenders incurred in connection with this Agreement and the other Credit Documents, including, without limitation, (i) all costs, fees and taxes pertaining to the obtaining, preparation or filing of all equipment appraisals, inventory appraisals, Lien Searches, UCC-1 financing statements (including, without limitation, any release thereof), the Mortgages, the Real Property Documentation, (ii) all fees and disbursements of special counsel for the Lenders and the Agent, (iii) all costs and fees incurred in connection with the preparation, negotiation, administration and execution and delivery of this Agreement and the other Credit Documents, and any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any Default or alleged Default hereunder or thereunder, (iv) sums paid or incurred to pay for any amount or to take any action required of the Borrowers hereunder or under this Agreement that any Borrower fails to pay or take; (v) costs and expenses of preserving and protecting the Collateral and of field audits conducted by the Collateral Agent pursuant to Section 5.02(c); and (b) during the existence of an Event of Default, costs and expenses (including reasonable

attorney and paralegal fees and expenses) paid or incurred to obtain payment of the Obligations, enforce the Lien in the Collateral, sell or otherwise realize upon the Collateral, and otherwise enforce the provisions hereof or of any Credit Document or to defend any claim made or threatened against the Agent or any of the Lenders arising out of the transactions contemplated hereby (including, without limitation, preparations for and consultations concerning any such matters). The foregoing shall not be construed to limit any other provisions hereof, or of any Credit Document regarding costs and expenses to be paid by the Borrowers. In the event any Borrower becomes a debtor under the Bankruptcy Code, the Collateral Agent's and each Lender's secured claim in such case shall include interest on the Obligations and all fees, costs and charges provided for herein (including, without limitation, reasonable attorneys' fees actually incurred), all to the extent allowed by the Bankruptcy Code. The Borrowers shall indemnify the Agent, the Collateral Agent and each Lender against any transfer taxes, documentary taxes, assessments or charges made by any Authority by reason of the execution and delivery of this Agreement or the other Credit Documents.

SECTION 10.04. Indemnification. The Borrowers shall indemnify the Agent, the Collateral Agent, the Lenders and each Affiliate thereof and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from any actual or proposed use by the Borrowers of the proceeds of any extension of credit by any Lender hereunder or breach by the Borrowers of this Agreement or any other Credit Document or from any investigation, litigation (including, without limitation, any actions taken by the Agent, the Collateral Agent or any of the Lenders to enforce this Agreement or any of the other Credit Documents) or other proceeding (including, without limitation, any threatened investigation or proceeding) relating to the foregoing, and the Borrowers shall reimburse the Agent, the Collateral Agent and each Lender, and each Affiliate thereof and their respective directors, officers, employees and agents, upon

demand for any expenses (including, without limitation, reasonable legal fees) incurred in connection with any such investigation or proceeding; but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person (or agent thereof) to be indemnified.

SECTION 10.05. Setoff; Sharing of Setoffs.

(a) Each of the Borrowers hereby grants to the Agent, the Collateral Agent and each Lender, and to Wachovia as to the Settlement Loans and the Letter of Credit Obligations, to secure all Obligations owing to them from the Borrowers, a lien upon all deposits or deposit accounts, of any kind, or any interest in any deposits or deposit accounts thereof, now or hereafter pledged, mortgaged, transferred or assigned to the Agent, the Collateral Agent or any such Lender or otherwise in the possession or control of the Agent or any such Lender for any purpose for the account or benefit of the Borrowers and including any balance of any deposit account or of any credit of the Borrowers with the Agent, the Collateral Agent or any such Lender, whether now existing or hereafter established, hereby authorizing the Agent and each Lender at any time or times with or without prior notice to apply such balances or any part thereof to such of the Obligations owing by the Borrowers to the Lenders, Wachovia and/or the Agent or the Collateral Agent then past due and in such amounts as they may elect, and whether or not the Collateral or other collateral, if any, or the responsibility of other Persons primarily, secondarily or otherwise liable may be deemed adequate. Each of the Agent and the Collateral Agent appoints, authorizes and directs each Lender to act as a collateral sub-agent for the Agent and the Lenders with respect to any Balances Collateral held by such Lender from time to time. For the purposes of this paragraph, all remittances and property shall be deemed to be in the possession of the Agent, the Collateral Agent Wachovia or any such Lender as soon as the same may be put in transit to it by mail or carrier or by other bailee.

(b) Each Lender and Wachovia agrees that if it shall, by exercising any right of setoff (with the consent or direction of the Required Lenders) or counterclaim or resort to collateral security or otherwise, receive payment of a proportion of the aggregate amount of the principal and interest

owing with respect to the Loans held by it, or the Letter of Credit Obligations which is greater than the proportion received by any other Lender in respect of the aggregate amount of all principal and interest owing with respect to the Loans held by such other Lender or Wachovia with respect to the Letter of Credit Obligations, the Lender or Wachovia receiving such proportionately greater payment shall purchase such participations in the Loans held by the other Lenders owing to such other Lenders and the Letter of Credit Obligations, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans held by the Lenders owing to such other Lenders and the Letter of Credit Obligations shall be shared by the Lenders and Wachovia in accordance with their Commitment Percentage; provided that (i) nothing in this SECTION shall impair the right of any Lender to exercise any right of setoff or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrowers other than its indebtedness under the Loans or the Letter of Credit Obligations, and (ii) if all or any portion of such payment received by the purchasing Lender is thereafter recovered from such purchasing Lender, such purchase from each other Lender or Wachovia shall be rescinded and such other Lender or Wachovia shall repay to the purchasing Lender or Wachovia the purchase price of such participation to the extent of such recovery together with an amount equal to such other

Lender's or Wachovia's ratable share (according to the proportion of (x) the amount of such other Lender's or Wachovia's required repayment to (y) the total amount so recovered from the purchasing Lender or Wachovia) of any interest or other amount paid or payable by the purchasing Lender or Wachovia in respect of the total amount so recovered. Each of the Borrowers agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Loan, or risk participant with respect to the Letter of Credit Obligations, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of setoff or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrowers in the amount of such participation.

SECTION 10.06. Amendments and Waivers.

(a) Any provision of this Agreement, the Notes or any other Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrowers and the Required Lenders (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that, no such amendment or waiver shall, unless signed by all Lenders, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees (other than fees payable to the Agent) hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder (including under SECTION 2.08), (iv) reduce the amount of principal, interest or fees due on any date fixed for the payment thereof, (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the percentage of Lenders, which shall be required for the Lenders or any of them to take any action under this SECTION or any other provision of this Agreement, (vi) change the manner of application of any payments made under this Agreement or the Notes, or the provisions with respect to pro rata treatment among Lenders (including, without limitation, as to sharing of payments and expenses), (vii) except as expressly provided in this Agreement or any of the other Credit Documents, release or substitute, or agree to subordination of, all or any substantial part of the Collateral held as security for the Loans, (viii) release any Guarantee given to support payment of the Loans, (ix) change the definitions of "Borrowing Base," "Eligible Accounts," "Eligible Inventory," or "Required Lenders," (x) change the provisions of any of ARTICLE 7 or SECTIONS 10.04 or 10.20, (xi) change the joint and several nature of the obligations of the Borrowers, or the several nature of the obligations of the Lenders under their respective Commitments, or (xii) change the dollar amounts set forth in clause (ii)(a) and (iii) of the definition of Obligations; and provided further that, no provision of this Agreement relating to Settlement Loans and Letter of Credit Obligations may be amended without the prior written consent of Wachovia.

(b) The Borrowers will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement except through the Agent, or unless each Lender shall be informed

thereof by the Borrowers and shall be afforded an opportunity of considering the same and shall be supplied by the Borrowers with sufficient information to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or consent effected pursuant to the provisions of this Agreement shall be delivered by the Borrowers to the Agent (for distribution to each Lender) forthwith following the date on which the same shall have been executed and delivered by the requisite

percentage of Lenders. The Borrowers will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Lender (in its capacity as such) as consideration for or as an inducement to the entering into by such Lender of any waiver or amendment of any of the terms and provisions of this Agreement unless such remuneration is concurrently paid, on the same terms, ratably to all such Lenders.

SECTION 10.07. No Margin Stock Collateral. Each of the Lenders represents to the Agent and each of the other Lenders that it in good faith is not, directly or indirectly (by negative pledge or otherwise), relying upon any Margin Stock as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 10.08. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that the Borrowers may not assign or otherwise transfer any of its rights under this Agreement.

(b) Any Lender may at any time sell to one or more Persons, provided that any such Person is a commercial bank or other financial institution, or a Related Fund or an Affiliate thereof (each a "Participant") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment hereunder or any other interest of such Lender hereunder; provided, however, that a Lender must sell the same proportion of its Commitments, Revolving Loans and Term Loans, and if a Lender is selling a participation in only a portion of its Commitment or any other interest of such Lender hereunder, the participation being sold (determined as of the effective date of the sale of the participation) shall be in an amount not less than $2,500,000. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, and the Borrowers and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. In no event shall a Lender that sells a participation be obligated to the Participant to take or refrain from taking any action hereunder except that such Lender may agree that it will not (except as provided below), without the consent of the Participant, agree to (i) the postponement of any date fixed for the payment of principal of or interest on the related loan or loans, (ii) the reduction of the amount of any principal, interest or fees due on any date fixed for the payment thereof with respect to the related loan or loans, (iii) the change of the principal of the related loan or loans, (iv) any decrease in the rate at which either interest is payable thereon or (if the Participant is entitled to any part thereof) fee is payable hereunder from the rate at which the Participant is entitled to receive interest or fee (as the case may be) in respect of such participation, (v) the release or substitution of all or any substantial part of the collateral (if any) held as security for the Loans, or (vi) the release of any Guarantee given to support payment of the Loans. The Borrowers agree that each Participant shall be entitled to the benefits of ARTICLE 8 with respect to its participation in Loans outstanding from time to time.

(c) Any Lender may at any time assign to one or more commercial banks or other financial institutions organized under laws of the United States of America or any state and having total assets in excess of $2,500,000,000 or a Related Fund or Affiliate of any such bank or financial

institution (each an "Assignee") all or a proportionate part of its rights and obligations under this Agreement, the Notes and the other Credit Documents; provided, however, that a Lender must sell the same proportion of its Commitments, Revolving Loans and Term Loans, and such Assignee shall assume all such rights and obligations, pursuant to an Assignment and Acceptance, executed by such Assignee, such transferor Lender and the Agent (and, in the case of an Assignee that is not then a Lender, subject to clause (iii) below, by the Borrowers); provided that (i) no interest may be sold by a Lender pursuant to this paragraph (c) unless the Assignee shall agree to assume ratably equivalent portions of the transferor Lender's Commitment, (ii) if a Lender is assigning only a portion of its Commitment, then, the amount of the Commitment being assigned (determined as of the effective date of the assignment) shall be in an amount not less than $2,500,000, (iii) no interest may be sold by a Lender pursuant to this paragraph (c) to any Assignee that is not then a Lender (or an Affiliate or Related Fund of a Lender) without the prior written consent of the Agent (which consent shall be evidence by the Agent's execution of the Assignment and Acceptance), and, unless a Default or Event of Default is in existence, the Borrower (whose consent shall not be unreasonably withheld or delayed), and (iv) a Lender may not have more than 3 Assignees that are not then Lenders (or an Affiliate or Related Fund thereof) at any one time. Upon (A) execution of the Assignment and Acceptance by such transferor Lender, such Assignee, the Agent and (if applicable) the Borrowers, (B) delivery of an executed copy of the Assignment and Acceptance to the Borrowers and the Agent, (C) payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, (D) payment of a processing and recordation fee of $4,000 to the Agent, and (E) recordation of such assignment on the Register, as defined and provided below, such Assignee shall for all purposes be a Lender party to this Agreement and shall have all the rights and obligations of a Lender under this Agreement to the same extent as if it were an original party hereto with a Commitment as set forth in such instrument of assumption, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by the Borrowers, the Lenders or the Agent shall be required. The Borrowers hereby designate the Agent to serve as the Borrowers' agent, solely for purposes of this SECTION 10.08(c), to maintain a register (the "Register") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lender and each repayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation shall not affect the Borrowers' obligations in respect of such Loans. With respect to any Lenders, the transfer of any Commitment of such Lenders and the rights to the principal of, and interest on, any Loan shall not be effective until such transfer is recorded on the Register maintained by the Agent with respect to ownership of such Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitment and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitment and Loans shall be recorded by the Agent on the Register only upon the acceptance by the Agent of a properly executed and delivered Assignment and Acceptance pursuant to this SECTION 10.08(c). Coincident with the delivery of such an Assignment and Acceptance to the Agent for acceptance and registration of assignment or transfer of all or part of a Commitment and/or Loan, or as soon thereafter as practicable, the assigning or transferor

Lender shall surrender the Note evidencing such Commitment and/or Loan, and thereupon one or more new Notes in the aggregate principal amount so assigned shall be issued to the new Lender and, if applicable, a new Note shall be issued to the assigning or transferor Lender in the remaining aggregate principal amount of its Commitment and/or Loan not so assigned. The Borrower agrees to indemnify the Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Agent in performing its duties under this SECTION 10.08(c); but excluding any such losses, claims, damages and liabilities incurred by reason of the gross negligence or willful misconduct of the Agent. Each Lender agrees to indemnify the Borrowers and the Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Borrowers or the Agent by reason of the inaccuracy of any information which is furnished by such Lender concerning such Lender or its Lending Office or the amount assigned pursuant to an Assignment and Acceptance Agreement.

(d) Subject to the provisions of SECTION 10.09, the Borrowers authorize each Lender to disclose to any Participant, Assignee or other transferee (each a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrowers which has been delivered to such Lender by the Borrowers pursuant to this Agreement or which has been delivered to such Lender by the Borrowers in connection with such Lender's credit evaluation prior to entering into this Agreement.

(e) No Transferee shall be entitled to receive any greater payment under SECTION 2.11 or 8.03 than the transferor Lender would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrowers' prior written consent or by reason of the provisions of SECTION 2.11, 8.02 or 8.03 requiring such Lender to designate a different Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

(f) Anything in this SECTION 10.08 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of the Loans and/or obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned Loans and/or obligations made by the Borrowers to the assigning and/or pledging Lender in accordance with the terms of this Agreement shall satisfy the Borrowers' obligations hereunder in respect of such assigned Loans and/or obligations to the extent of such payment. No such assignment shall release the assigning and/or pledging Lender from its obligations hereunder.

SECTION 10.09. Confidentiality. Each Lender agrees to exercise commercially reasonable efforts to keep any information delivered or made available by the Borrowers to it pursuant to SECTION 4.04 or 5.01, or any other information which is clearly indicated to be confidential information, confidential from anyone other than persons employed or retained by such Lender who are or are expected to become engaged in evaluating, approving, structuring or administering the Loans; provided that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority having jurisdiction over such Lender, (iv) which has been publicly disclosed, (v) to the extent

reasonably required in connection with any litigation to which the Agent, any Lender or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to such Lender's legal counsel and independent auditors and (viii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this SECTION 10.09; provided that should disclosure of any such confidential information be required by virtue of clause (ii) of the immediately preceding sentence, to the extent permitted by law, any relevant Lender shall promptly notify the Borrowers of same so as to allow the Borrowers to seek a protective order or to take any other appropriate action; provided, further, that, no Lender shall be required to delay compliance with any directive to disclose any such information so as to allow the Borrowers to effect any such action.

SECTION 10.10. Representation by Lenders. Each Lender hereby represents that it is a commercial Lender or financial institution which makes loans in the ordinary course of its business and that it will make its Loans hereunder for its own account in the ordinary course of such business; provided that, subject to SECTION 10.08, the disposition of the Note or Notes held by that Lender shall at all times be within its exclusive control.

SECTION 10.11. Obligations Several. The obligations of each Lender hereunder are several, and no Lender shall be responsible for the obligations or commitment of any other Lender hereunder. Nothing contained in this Agreement and no action taken by the Lenders pursuant hereto shall be deemed to constitute the Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement or any other Credit Document and it shall not be necessary for any other Lender to

be joined as an additional party in any proceeding for such purpose.

SECTION 10.12. New York Law. This Agreement and each Note shall be construed in accordance with and governed by the law of the State of New York.

SECTION 10.13. Severability. In case any one or more of the provisions contained in this Agreement, the Notes or any of the other Credit Documents should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby and shall be enforced to the greatest extent permitted by law.

SECTION 10.14. Interest.

(a) In no event shall the amount of interest, and all charges, amounts or fees contracted for, charged or collected pursuant to this Agreement, the Notes or the other Credit Documents and deemed to be interest under applicable law (collectively, "Interest") exceed the highest rate of interest allowed by applicable law (the "Maximum Rate"), and in the event any such payment is inadvertently received by any Lender, then the excess sum (the "Excess") shall be credited as a payment of principal, unless the Borrowers shall notify such Lender in writing that it elects to have the Excess returned forthwith. It is the express intent hereof that the Borrowers not pay and the Lenders not receive, directly or indirectly in any manner whatsoever,

interest in excess of that which may legally be paid by the Borrowers under applicable law. The right to accelerate maturity of any of the Loans does not include the right to accelerate any interest that has not otherwise accrued on the date of such acceleration, and the Agent and the Lenders do not intend to collect any unearned interest in the event of any such acceleration. All monies paid to the Agent or the Lenders hereunder or under any of the Notes or the other Credit Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by applicable law. By the execution of this Agreement, each of the Borrowers covenants, to the fullest extent permitted by law, that (i) the credit or return of any Excess shall constitute the acceptance by the Borrowers of such Excess, and (ii) the Borrowers shall not seek or pursue any other remedy, legal or equitable, against the Agent or any Lender, based in whole or in part upon contracting for charging or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by the Agent or any Lender, all interest at any time contracted for, charged or received from the Borrowers in connection with this Agreement, the Notes or any of the other Credit Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Commitments. The Borrowers, the Agent and each Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this SECTION shall be deemed to be incorporated into each Note and each of the other Credit Documents (whether or not any provision of this SECTION is referred to therein). All such Credit Documents and communications relating to any Interest owed by the Borrowers and all figures set forth therein shall, for the sole purpose of computing the extent of obligations hereunder and under the Notes and the other Credit Documents be automatically recomputed by the Borrowers, and by any court considering the same, to give effect to the adjustments or credits required by this SECTION.

(b) Pursuant to O.C.G.A. ss.7-4-2, the Borrowers, the Agent and the Lenders hereby agree that the only charges imposed or to be imposed by the Agent or the Lenders upon the Borrowers for the use of money in connection with the Loans is and will be the interest required to be paid under the provisions of SECTION 2.05 of this Agreement and the related provisions of the Notes, and that the fees payable pursuant to SECTION 2.06 are and shall be deemed to be compensation for services and are not and shall not be deemed to be interest or any other charge for the use, forbearance or detention of money.

SECTION 10.15. Interpretation. No provision of this Agreement or any of the other Credit Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other

governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

SECTION 10.16. WAIVER OF JURY TRIAL; CONSENT TO JURISDICTION. EACH OF THE BORROWERS (A) AND EACH OF THE BANKS AND THE AGENT IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (B) SUBMITS TO THE NONEXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF

NEW YORK, THE COURTS THEREOF AND THE UNITED STATES DISTRICT COURTS SITTING THEREIN, FOR THE ENFORCEMENT OF THIS AGREEMENT, THE NOTES AND THE OTHER CREDIT DOCUMENTS, (C) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAW OF ANY JURISDICTION TO OBJECT ON ANY BASIS (INCLUDING, WITHOUT LIMITATION, INCONVENIENCE OF FORUM) TO JURISDICTION OR VENUE WITHIN THE STATE OF NEW YORK FOR THE PURPOSE OF LITIGATION TO ENFORCE THIS AGREEMENT, THE NOTES OR THE OTHER CREDIT DOCUMENTS, AND (D) AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN THE MANNER PRESCRIBED IN SECTION 10.01 FOR THE GIVING OF NOTICE TO THE BORROWERS. NOTHING HEREIN CONTAINED, HOWEVER, SHALL PREVENT THE AGENT FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY AND AGAINST THE BORROWERS PERSONALLY, AND AGAINST ANY ASSETS OF THE BORROWERS, WITHIN ANY OTHER STATE OR JURISDICTION.

SECTION 10.17. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 10.18. Source of Funds -- ERISA. Each of the Lenders hereby severally (and not jointly) represents to the Borrowers that no part of the funds to be used by such Lender to fund the Loans hereunder from time to time constitutes (i) assets allocated to any separate account maintained by such Lender in which any employee benefit plan (or its related trust) has any interest nor (ii) any other assets of any employee benefit plan. As used in this SECTION, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to such terms in SECTION 3 of ERISA.

SECTION 10.19. Credit Inquiries. Each Borrower hereby authorizes and permits the Agent and each Lender, at its discretion and without any obligation to do so, to respond to credit inquiries from third parties concerning any Borrower or any of its Subsidiaries.

SECTION 10.20. Consequential Damages. NONE OF THE BANKS NOR THE AGENT SHALL BE RESPONSIBLE OR LIABLE TO THE BORROWERS OR ANY OTHER PERSON OR ENTITY FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 10.21. Entire Agreement. This Agreement, together with the other Credit Documents, constitute the entire agreement among the parties hereto with respect to the subject matter hereof, and supersede and replace any agreement, written or oral, existing between or among the parties hereto in respect of such subject matter.

SECTION 10.22. Continuing Agreement. This Agreement, together with all other Credit Documents, shall continue in full force and effect, notwithstanding the termination of any one, or more or all of the Commitments or the payment in full of one, or more of all of the Obligations, unless and until all Commitments have been terminated and all Obligations

(including, without limitation, any Letter of Credit Obligations in the nature of contingent obligations) have been fully paid and satisfied, each in accordance with the terms and conditions hereof and of the other Credit Documents.

[Signatures are contained on the following pages.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, under seal, by their respective authorized officers as of the day and year first above written.

CROWN CRAFTS, INC.,

By: /s/ E. Randall Chestnut (SEAL)

Name: E. Randall Chestnut
Title: Executive Vice President

Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attention: Randall Chestnut
Telecopier No. 770-644-6337
Confirmation No. 770-644-6263

CHURCHILL WEAVERS, INC.,
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

By: /s/ E. Randall Chestnut (SEAL)

Name: E. Randall Chestnut
Title: Vice President

Churchill Weavers, Inc.
Hamco, Inc.
Crown Crafts Infant Products, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attention: Randall Chestnut
Telecopier No. 770-644-6337
Confirmation No. 770-644-6263

COMMITMENTS

WACHOVIA BANK, N.A.,
as Agent and as a Lender (SEAL)

Revolving Loan Commitment:
$8,695,730

By: /s/ R.E.S Bowen

Title Vice President

Term Loan Commitment:
$6,407,380

Lending Office
Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention: Leveraged Finance
Telecopier number: 404-332-6920
Confirmation number: 404-332-1383

BANK OF AMERICA, N.A.,
as a Lender (SEAL)

Revolving Loans:
$3,765,990

Term Loans:

By: /s/ John F. Register

$2,774,940 ----------

Title Principal

Lending Office
Bank of America, N.A.
Independence Center
100 North Tryon Street
15th Floor, NCI 001-15-06
Charlotte, North Carolina 28255
Attention: Wayne Gero
Telecopier number: 704-409-0050
Confirmation number: 704-409-7891

with a copy to:

Bank of America, N.A.
101 North Tryon Street
NCI 007-22-26
Charlotte, North Carolina 28255
Attention: John F. Register
Telecopier number: 704-386-7515
Confirmation number: 704-386-5390

TOTAL COMMITMENTS: THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
as a Lender (SEAL)

Revolving Loans:
$6,538,280

Term Loans: By: /s/ Paul G. Price
$4,817,680 ----------

Title Vice President

Lending Office
The Prudential Insurance Company of America
c/o Prudential Capital Group
Corporate and Project Workouts
100 Mulberry Street, Gateway Center 4
Newark, New Jersey 07102
Attention: Paul Procyk
Telecopier number: 973-802-2333
Confirmation number: 973-367-3279

TOTAL REVOLVING LOANS: $19,000,000

TOTAL TERM LOANS: $14,000,000

EXHIBIT A-1

REVOLVING LOAN NOTE

Atlanta, Georgia

July 23, 2001

For value received, each of CROWN CRAFTS, INC., CHURCHILL WEAVERS, INC., HAMCO, INC. and CROWN CRAFTS INFANT PRODUCTS, INC. (collectively, the "Borrowers"), jointly and severally, promises to pay to the order of _____ (the "Lender"), for the account of its Lending Office, the principal sum of _____ AND NO/100 DOLLARS ($), or such lesser amount as shall equal the unpaid principal amount of each Revolving Loan made by the

Lender to the Borrowers pursuant to the Credit Agreement referred to below, on the dates and in the amounts provided in the Credit Agreement. The Borrowers promise to pay interest on the unpaid principal amount of this Revolving Loan Note on the dates and at the rate or rates provided for in the Credit Agreement. Interest on any overdue principal of, and, to the extent permitted by law, overdue interest on, the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in federal or other immediately available funds at the office of Wachovia Bank, N.A., 191 Peachtree Street, N.E., Atlanta, Georgia 30303-1757, or such other address as may be specified from time to time pursuant to the Credit Agreement.

All Loans made by the Lender, the respective maturities thereof, the interest rates from time to time applicable thereto, and all repayments of the principal thereof shall be recorded by the Lender and, prior to any transfer hereof, endorsed by the Lender on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrowers hereunder or under the Credit Agreement.

This Revolving Loan Note is one of the Revolving Loan Notes referred to in the Credit Agreement of even date herewith among the Borrowers, the Lenders party thereto from time to time and Wachovia Bank, N.A., as Agent (as the same may be amended and modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof, as well as the obligation of the Borrowers to pay all costs of collection, including reasonable attorneys fees, in the event this Revolving Loan Note is collected by law or through an attorney at law.

The Borrowers hereby waive presentment, demand, protest, notice of demand and nonpayment and any other notice required by law relative hereto, except to the extent as otherwise may be expressly provided for in the Credit Agreement.

IN WITNESS WHEREOF, the Borrowers have caused this Revolving Loan Note to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

CROWN CRAFTS, INC.
CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

By: (SEAL)

Name:
Title:

By: (SEAL)

Name:
Title:

Revolving Loan Note (cont'd)

REVOLVING LOANS AND PAYMENTS OF PRINCIPAL

<TABLE>
<CAPTION>

Date	Base Rate or Euro-Dollar Loan	Amount of Loan	Amount of Principal	Maturity Date	Notation Made By
<S>	<C>	<C>	<C>	<C>	<C>

- ----------

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</TABLE>

EXHIBIT A-2

TERM LOAN NOTE

Atlanta, Georgia
July 23, 2001

For value received, each of CROWN CRAFTS, INC., CHURCHILL WEAVERS, INC., HAMCO, INC. and CROWN CRAFTS INFANT PRODUCTS, INC. (collectively, the "Borrowers"), jointly and severally, promises to pay to the order of _____ (the "Lender"), for the account of its Lending Office, the principal sum of [_____] AND NO/100 DOLLARS ($[_____]), or such lesser amount as shall equal the unpaid principal amount of the Term Loan made by the Lender to the Borrowers pursuant to the Credit Agreement referred to below. The Borrowers promise to pay interest on the unpaid principal amount of this Note on the dates and at the rate or rates provided for in the Credit Agreement. Interest on any overdue principal of. and, to the extent permitted by law, overdue interest on, the principal amount hereof shall bear interest at the Default Rate, as provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in federal or other immediately available funds at the office of Wachovia Bank, N.A., 191 Peachtree Street, N.E., Atlanta, Georgia 30303-1757, or such other address as may be specified from time to time pursuant to the Credit Agreement.

All repayments of the principal on the Term Loan shall be recorded by the Lender and, prior to any transfer hereof, endorsed by the Lender on the schedules attached hereto, or on a continuation of such schedules attached to and made a part hereof; provided that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrowers hereunder or under the Credit Agreement.

This Term Loan Note is one of the Term Loan Notes referred to in the Credit Agreement dated as of even date herewith among the Borrowers, the Lenders party thereto from time to time and Wachovia Bank, N.A., as Agent (as the same may be amended and modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof, as well as the obligation of the Borrowers to pay all costs of collection, including reasonable attorneys fees, in the event this Term Loan Note is collected by law or through an attorney at law.

The Borrowers hereby waive presentment, demand, protest, notice of demand and nonpayment and any other notice required by law relative hereto, except to the extent as otherwise may be expressly provided for in the Credit Agreement.

IN WITNESS WHEREOF, each of the Borrowers has caused this Note to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

CROWN CRAFTS, INC. CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

By: (SEAL)

Name:
Title:

By: (SEAL)

Name:
Title:

Term Loan Note (cont'd)

<TABLE>
<CAPTION>
PAYMENTS OF PRINCIPAL(1)

Date	Amount of Principal Paid	Notation Made By
<S>	<C>	<C>

</TABLE>

(1) Include Term Advances

EXHIBIT B

[SUBJECT TO REVISION TO COMPORT WITH
FIRM PRACTICE]

OPINION OF
COUNSEL FOR THE BORROWERS

[DATED AS PROVIDED IN
SECTION 9.01 OF THE CREDIT
AGREEMENT]

To the Lenders and the Agent
Referred to Below
c/o Wachovia Bank, N.A.,
as Agent
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attn: Leveraged Finance

Dear Sirs:

We have acted as counsel for Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively, the "Borrowers") in connection with the Credit Agreement (the "Credit Agreement") dated as of July 23, 2001 among the Borrowers, the lenders listed on the signature pages thereof and Wachovia Bank, N.A., as Agent. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion. We have assumed for purposes of our opinions set forth below that the execution and delivery of the Credit Agreement by each Lender and by the Agent have been duly authorized by each Lender and by the Agent.

Upon the basis of the foregoing, we are of the opinion that:

1. Each Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation set forth above and has all corporate powers required to carry on its business as now conducted.

2. The execution, delivery and performance by the Borrowers of the Credit Agreement and the Notes, and the Domestic Stock Pledge Agreement, the Foreign Stock Pledge Agreement, the Consent and Agreement of the Borrowers at the end of the Intercreditor Agreement (the "Other Credit Documents") executed by each Borrower (i) are within such Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of, or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of such Borrower or of any agreement, judgment, injunction, order, decree or other instrument which to our knowledge is binding upon the Borrowers and (v) to our knowledge, except as provided in the Credit Agreement and the Other Credit Documents, do not result in the creation or imposition of any Lien on any asset of the Borrowers or any of the Subsidiaries.

3. Assuming that the law of the State of New York is substantially the same as the law of Georgia, each of the Credit Agreement, the Notes, and the Other Credit Documents constitutes a valid and binding agreement of the Borrowers, enforceable against the Borrowers in accordance with its terms, and if on the date hereof the Mortgage Amendment had been duly and properly completed, delivered, recorded (including payment of any applicable filing fees and intangible recording taxes) and indexed in the real estate records in the counties and states where the Real Properties are located, the Mortgages would constitute valid and binding obligations of the Borrowers, enforceable in accordance with their respective terms, except in each of the foregoing cases as such enforceability may be limited by: (i) bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity.

4. To our knowledge, there is no action, suit or proceeding pending, or threatened, against or affecting any of the Borrowers before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Borrowers and the Subsidiaries, considered as a whole, or which in any manner questions the validity or enforceability of the Credit Agreement, any Note or any Other Credit Document.

5. None of the Borrowers is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

6. None of the Borrowers is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

7. The choice of New York law to govern the Credit Agreement, the Notes and the Other Credit Documents (other than the Security Agreement and the Mortgages) in which such choice is stipulated is a valid and effective choice of law under the laws of the State of Georgia, and adherence to existing judicial precedents generally would require a court sitting in the State of Georgia to abide by such choice of law, unless a fundamental policy of the State of Georgia would be violated. We are not aware of any provision of the Credit Agreement, the Notes or the Other Credit Documents which would violate a fundamental policy of the State of Georgia.

We are qualified to practice in the State of Georgia and do not purport to be experts on any laws other than the laws of the United States and the State of Georgia and the Business Corporation Code of the State of Delaware and this opinion is rendered only with respect to such laws. We have made no independent investigation of the laws of any other jurisdiction.

This opinion is delivered to you in connection with the transaction referenced above and may only be relied upon by you, any Assignee, Participant or other Transferee under the Credit Agreement, and Jones, Day, Reavis & Pogue without our prior written consent.

Very truly yours,

EXHIBIT C

OPINION OF SPECIAL COUNSEL
FOR THE AGENT

[DATED AS PROVIDED IN
SECTION 9.01 OF THE CREDIT
AGREEMENT]

To the Lenders and the Agent
Referred to Below
c/o Wachovia Bank, N.A.,
as Agent
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attn: Leveraged Finance

Dear Sirs:

We have participated in the preparation of the Credit Agreement (the "Credit Agreement") dated as of July 23, 2001 by and among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively, the "Borrowers"), the lenders listed on the signature pages thereof (the "Lenders") and Wachovia Bank, N.A., as Agent (the "Agent"), and have acted as special counsel for the Agent for the purpose of rendering this opinion pursuant to SECTION 9.01(c) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

This opinion letter is limited by, and is in accordance with, the January 1, 1992 edition of the Interpretive Standards applicable to Legal Opinions to Third Parties in Corporate Transactions adopted by the Legal Opinion Committee of the Corporate and Banking Law Section of the State Bar of Georgia which Interpretive Standards are incorporated herein by this reference.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, and assuming the due authorization,

execution and delivery of the Credit Agreement, each of the Notes and the Domestic Stock Pledge Agreement, the Foreign Stock Pledge Agreement, the Consent and Agreement of the Borrowers at the end of the Intercreditor Agreement (the "Other Credit Documents") by or on behalf of the Borrowers, we are of the opinion that the Credit Agreement, the Other Credit Documents and each Note constitutes a valid and binding agreement of the Borrowers, in each case enforceable in

accordance with its terms except as: (i) the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, fraudulent conveyance, voidable preference, moratorium or similar laws applicable to creditors' rights or the collection of debtors' obligations generally; (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability; and (iii) the enforceability of certain of the remedial, waiver and other provisions of the Credit Agreement, the Other Credit Documents and the Notes may be further limited by the laws of the State of Georgia; provided that such additional laws do not, in our opinion, substantially interfere with the practical realization of the benefits expressed in the Credit Agreement, the Other Credit Documents and the Notes, except for the economic consequences of any procedural delay which may result from such laws.

In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction except the State of Georgia. We express no opinion as to the effect of the compliance or noncompliance of the Agent or any of the Lenders with any state or federal laws or regulations applicable to the Agent or any of the Lenders by reason of the legal or regulatory status or the nature of the business of the Agent or any of the Lenders.

This opinion is delivered to you in connection with the transaction referenced above and may only be relied upon by you and any Assignee, Participant or other Transferee under the Credit Agreement without our prior written consent.

Very truly yours,

EXHIBIT D

ASSIGNMENT AND ACCEPTANCE
Dated_____ ___, 200_

Reference is made to the Credit Agreement dated as of July 23, 2001 (together with all amendments and modifications thereto, the "Credit Agreement") among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively or individually, as the context shall require, the "Borrowers"), the Lenders (as defined in the Credit Agreement) and Wachovia Bank, N.A., as Agent (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and
_____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a ___% interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) (including, without limitation, a ___% interest (which on the Effective Date hereof is $[_____]) in the Assignor's Revolving Loan Commitment and a ___% interest (which on the Effective Date hereof is $[_____]) in the Revolving Loans and Term Loans (which on the Effective Date hereof is $[_____]) [AND Settlement Loans] (which on the Effective Date hereof is $[_____]) owing to the Assignor.

2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value

of the Credit Agreement or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder, that such interest is free and clear of any adverse claim and that as of the date hereof its Revolving Loan Commitment (without giving effect to assignments thereof which have not yet become effective) is $[_____] and the aggregate outstanding principal amount owing to it of (x) Revolving Loans is $[_____], (y) Term Loans [AND (Z) SETTLEMENT LOANS IS $[_____]] (in each case without giving effect to assignments thereof which have not yet become effective), (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of their obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iii) attaches the Note[S] referred to in paragraph 1 above and requests that the Agent exchange such Note[s] for new Notes as follows, each payable to the order of the Assignee: _____ [AND NEW NOTES AS FOLLOWS, EACH PAYABLE TO THE ORDER OF THE ASSIGNOR: _____]

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in SECTION 4.04(a) thereof (or any

more recent financial statements of the Parent]delivered pursuant to SECTION 5.01(a) or (b) thereof) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is a bank or financial institution; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (vi) specifies as its Lending Office (and address for notices) the office set forth beneath its name on the signature pages hereof and (vii) represents and warrants that the execution, delivery and performance of this Assignment and Acceptance are within its corporate powers and have been duly authorized by all necessary corporate action.

4. The Effective Date for this Assignment and Acceptance shall be _____, 200__ (the "Effective Date").

Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for execution and acceptance by the Agent [AND TO THE BORROWERS FOR EXECUTION BY THE BORROWERS, IF REQUIRED].

5. Upon such execution and acceptance by the Agent [AND EXECUTION BY THE BORROWERS] {IF THE ASSIGNEE IS NOT A LENDER PRIOR TO THE EFFECTIVE DATE}, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent rights and obligations have been transferred to it by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent its rights and obligations have been transferred to the Assignee by this Assignment and Acceptance, relinquish its rights (other than under SECTION 8.03 of the Credit Agreement) and be released from its obligations under the Credit Agreement.

6. Upon such execution and acceptance by the Agent and execution by the Borrowers, if the Assignee is not a Lender prior to the Effective Date, from and after the Effective Date, the Agent shall make all payments in respect of the interest assigned hereby to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to such acceptance by the Agent directly between themselves.

7. This Assignment and Acceptance shall be governed by, and

construed in accordance with, the laws of the State of New York.

[NAME OF ASSIGNOR]

By:

Title:

By:

Title:

Lending Office:
[ADDRESS]

WACHOVIA BANK, N.A.
As Agent

By:

Title:

[CROWN CRAFTS, INC. CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

By: (SEAL)

Name:
Title:

By: (SEAL)

Name:
Title:]

EXHIBIT E

NOTICE OF BORROWING

_____, _____

Wachovia Bank, N.A., as Agent
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention: Leveraged Finance

Re: Credit Agreement (as amended and modified from time to time, the "Credit Agreement") dated as of July 23, 2001 by and among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively or individually, as the context shall require, the "Borrowers"), the Lenders from time to time parties thereto, and Wachovia Bank, N.A., as Agent.

Gentlemen:

Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement.

This Notice of Borrowing is delivered to you pursuant to SECTION 2.02 of the Credit Agreement.

The Borrowers hereby request a [EURO-DOLLAR BORROWING] [BASE RATE BORROWING] in the aggregate principal amount of $[_____] to be made on [_____], and for interest to accrue thereon at the rate established by the Credit Agreement for [EURO-DOLLAR LOANS] [BASE RATE LOANS].

The duration of the Interest Period with respect thereto shall be [1 MONTH] [2 MONTHS] [3 MONTHS].

The amount available to be borrowed under SECTION 2.01 of the Credit Agreement, net of amounts to be paid with the proceeds of this Borrowing, is as follows:

<TABLE>

<S>	<C>	<C>
(a)	Aggregate Revolving Loan Commitments	$_____
(b)	Borrowing Base per most recent Borrowing Base Certificate	$_____
(c)	Principal amount outstanding under Revolving Loans	$_____
(d)	Aggregate outstanding principal amount of Letter of Credit Obligations	$_____
(e)	Amount available to be borrowed (lesser of: (a) and sum of (b), less (c) less (d)	$_____

</TABLE>

The Borrowers have caused this Notice of Borrowing to be executed and delivered by their duly authorized officers this ____ day of _____, _____.

CROWN CRAFTS, INC.
CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

By: (SEAL)

Name:
Title:

By: (SEAL)

Name:
Title:

EXHIBIT F

[RESERVED]

EXHIBIT G

COMPLIANCE CERTIFICATE

Reference is made to the Credit Agreement dated as of July 23, 2001 (as modified and supplemented and in effect from time to time, the "Credit Agreement") by and among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively or individually, as the context shall require, the "Borrowers"), the Lenders from time to time parties thereto, and Wachovia Bank, N.A., as Agent. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to SECTION 5.01(c) of the Credit Agreement, _____, the duly authorized _____ of the Borrowers, hereby certifies to the Agent and the Lenders that, as of the date hereof, (i) the information contained in the Compliance Certificate attached hereto is true, accurate and complete in all material respects and (ii) no Default is in existence.

CROWN CRAFTS, INC. CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

BY: (SEAL)

NAME: BY: (SEAL)
TITLE: ---
NAME:
TITLE:

CROWN CRAFTS, INC.
COMPLIANCE CHECKLIST

1. Minimum EBITDA (Section 5.21(a))

Consolidated EBITDA shall not be less than: (i) for the Fiscal Quarter ending September 30, 2001, $1,825,000; (ii) on a cumulative basis for the Fiscal Quarter ending December 30, 2001 and the immediately preceding Fiscal Quarter, $3,500,000; (iii) on a cumulative basis for the Fiscal Quarter ending March 31, 2002 and the 2 immediately preceding Fiscal Quarters, $5,550,000; and (iv) at the end of each Fiscal Quarter thereafter, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MINIMUM EBITDA
<S>	<C>
June 30, 2002	$7,375,000
September 29, 2002	$7,900,000
December 29, 2002	$8,300,000
March 30, 2003 and each Fiscal Quarter thereafter	$8,725,000

</TABLE>

<TABLE>

<S>	<C>	<C>	
(a)	Consolidated EBITDA	Schedule 1	$_____
	Minimum Consolidated EBITDA		[$1,825,000]
		[$3,500,000]	
		[$5,550,000]	
		[$7,373,000]	
		[$7,900,000]	
		[$8,300,000]	
		[$8,725,000]	

</TABLE>

2. Debt/EBITDA Ratio (Section 5.21(b))

The Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the ratio set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MAXIMUM DEBT/EBITDA RATIO
<S>	<C>
March 31, 2002	7.75 to 1.0
June 30, 2002	5.65 to 1.0
September 29, 2002	5.25 to 1.0
December 29, 2002	4.75 to 1.0
March 30, 2003 and June 29, 2003	4.50 to 1.0
September 28, 2003	4.25 to 1.0
December 28, 2003	4.00 to 1.0
March 28, 2004	3.75 to 1.0
June 27, 2004 and September 26, 2004	3.50 to 1.0
December 26, 2004 through December 25, 2005	3.25 to 1.0
April 2, 2006	3.00 to 1.0

</TABLE>

<TABLE>

<S>	<C>	<C>	
(a)	Consolidated Debt Schedule 2		$_____
(b)	Consolidated EBITDA Schedule 1		$_____
(c)	actual ratio of (a) to (b)		___ to 1.00
	Limitation:	(c) may not exceed	[7.75 to 1.0]
			[5.65 to 1.0]
			[5.25 to 1.0]
			[4.75 to 1.0]
			[4.50 to 1.0]
			[4.25 to 1.0]
			[4.00 to 1.0]
			[3.75 to 1.0]
			[3.50 to 1.0]
			[3.25 to 1.0]
			[3.00 to 1.0]

</TABLE>

3. Senior Debt/EBITDA Ratio (Section 5.21(c))

The Senior Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Senior Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the ratio set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MAXIMUM SENIOR

DEBT/EBITDA RATIO	
<S>	<C>
March 31, 2002	4.80 to 1.0
June 30, 2002	3.50 to 1.0
September 29, 2002	3.25 to 1.0
December 29, 2002	3.00 to 1.0
March 30, 2003	2.75 to 1.0
June 29, 2003 and September 28, 2003	2.50 to 1.0
December 28, 2003	2.25 to 1.0
March 28, 2004 through September 26, 2004	2.00 to 1.0
December 26, 2004	1.75 to 1.0
March 27, 2005 and thereafter	1.50 to 1.00

</TABLE>

<TABLE>

<S>	<C>	<C>	
(a)	Consolidated Senior Debt	Schedule 2	$_____
(b)	Consolidated EBITDA	Schedule 1	$_____
(c)	actual ratio of (a) to (b)		___ to 1.00
	Limitation:	(c) may not exceed	[4.80 to 1.0]
			[3.50 to 1.0]
			[3.25 to 1.0]
			[3.00 to 1.0]
			[2.75 to 1.0]
			[2.50 to 1.0]
			[2.25 to 1.0]
			[2.00 to 1.0]
			[1.75 to 1.0]
			[1.50 to 1.0]

</TABLE>

4. EBITDA/Cash Interest Ratio (Section 5.21(d))

The EBITDA/Cash Interest Ratio will not be less than, at the end of each Fiscal Quarter set forth below, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the amount set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MINIMUM EBITDA/CASH INTEREST RATIO
<S>	<C>
March 31, 2002	1.60 to 1.0
June 30, 2002	1.65 to 1.0
September 29, 2002	1.80 to 1.0

December 29, 2002	2.00 to 1.0
March 30, 2003	2.20 to 1.0
June 29, 2003 through December 28, 2003	2.25 to 1.0
March 28, 2004 through December 26, 2004	2.50 to 1.0
March 27, 2005 through December 25, 2005	2.75 to 1.0
April 2, 2006	3.00 to 1.00

<TABLE>
<S> <C> <C>
(a) Consolidated EBITDA Schedule 1 $_____

(b) Cash Interest Schedule 3 $_____

(c) actual ratio of (a) to (b) ___ to 1.00

Limitation: (c) may not exceed [4.80 to 1.0]
[3.50 to 1.0]
[3.25 to 1.0]
[3.00 to 1.0]
[2.75 to 1.0]
[2.50 to 1.0]
[2.25 to 1.0]
[2.00 to 1.0]
[1.75 to 1.0]
[1.50 to 1.0]
</TABLE>

5. Minimum Stockholders' Equity (Section 5.21(e))

As of the end of each Fiscal Quarter, Stockholders' Equity will not be less than the sum of (i) Stockholders' Equity as of the Closing Date (after giving effect to the sale of its adult bedding line of business to its former management) plus (ii) 75% of the cumulative (since the Closing Date) Reported Net Income (excluding any Fiscal Quarter during which Reported Net Income is less than $0.00) of the Parent and the Subsidiaries.

<TABLE>
<S> <C> <C>
(a) Stockholders' Equity $_____

(b) Cumulative positive Reported Net Income since the Closing Date $_____

(c) 75% of (b) $_____

(d) sum of (c) and $_____(2) $_____

Limitation: (a) must not be less than (d)
</TABLE>

6. Capital Expenditures (Section 5.21(f))

No Borrower shall, nor shall it permit any Subsidiary to, make any expenditures (including obligations incurred under any lease) in any Fiscal Year that are required to be capitalized under GAAP in the aggregate for any Borrower and the Subsidiaries, on a consolidated basis, exceeding $500,000.

<TABLE>
<S> <C> <C>
(a) aggregate Capital Expenditures made to date in current Fiscal Year $_____

</TABLE>

Limitation: (a) may not exceed $500,000

- ----------

(2) Insert amount of Stockholders' Equity as of the Closing Date

7. Operating Leases (Section 5.21(g))

No Borrower shall, nor shall it permit any Subsidiary to, enter into or remain or become liable upon any lease (other than intercompany leases between the Borrower and its Subsidiaries) which would be characterized as an operating lease under GAAP if the aggregate amount of all consolidated rents paid by the Borrower and its Subsidiaries under all such leases would exceed $3,000,000 in the first Fiscal Year following the Closing Date, with such amount increasing each Fiscal Year thereafter by an additional 5% of the amount in effect at the end of the preceding Fiscal Year.

<TABLE>
<S> <C> <C>
(a) aggregate amount of consolidated rents payable in current Fiscal Year $_____
</TABLE>

Limitation: (a) may not exceed [$3,000,000](3)

- ----------

(3) Increase after the first Fiscal Year by an additional 5% of the amount in effect at the end of the preceding Fiscal Year

EXHIBIT H

CLOSING CERTIFICATE

Reference is made to the Credit Agreement (the "Credit Agreement") dated as of July 23, 2001 among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively, the "Borrowers"), the Lenders listed therein, and Wachovia Bank, N.A., as Agent. Capitalized terms used herein have the meanings ascribed thereto in the Credit Agreement.

Pursuant to SECTION 5.01(c) of the Credit Agreement, [_____], the duly authorized [_____] of each of the Borrowers, hereby certifies to the Agent and the Lenders that (i) no Default has occurred and is continuing as of the date hereof, and (ii) the representations and warranties contained in ARTICLE 4 of the Credit Agreement are true on and as of the date hereof.

Certified as of this July 23, 2001.

CROWN CRAFTS, INC.
CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

BY: (SEAL)

NAME:
TITLE:

BY: (SEAL)

NAME:
TITLE:

EXHIBIT I

[NAME OF BORROWER](5)

OFFICER'S CERTIFICATE

The undersigned, _____, _____ _____, Secretary of _____ _____, a _____ corporation (the "Certifying Borrower"), hereby certifies that [S]he has been duly elected, qualified and is acting in such capacity and that, as such, [S]he is familiar with the facts herein certified and is duly authorized to certify the same, and hereby further certifies, in connection with the Credit Agreement dated as of July 23, 2001 (the "Credit Agreement") among the Certifying Borrower, the other Borrowers parties thereto, Wachovia Bank, N.A. as Agent and as a Lender, and certain other Lenders listed on the signature pages thereof, that:

1. Attached hereto as EXHIBIT A is a complete and correct copy of the Certificate of Incorporation of the Borrower as in full force and effect on the date hereof as certified by the Secretary of State of the State of _____ , the Borrower's state of incorporation.

2. Attached hereto as EXHIBIT B is a complete and correct copy of the Bylaws of the Borrower as in full force and effect on the date hereof.

3. Attached hereto as EXHIBIT C is a complete and correct copy of the resolutions duly adopted by the Board of Directors of the Borrower on _____, 2001 approving, and authorizing the execution and delivery of, the Credit Agreement, the Notes and the other Credit Documents (as such terms are defined in the Credit Agreement) to which the Borrower is a party. Such resolutions have not been repealed or amended and are in full force and effect, and no other resolutions or consents have been adopted by the Board of Directors of the Borrower in connection therewith.

4. _____ , who is _____ of the Borrower signed the Credit Agreement, the Notes and the other Credit Documents to which the Borrower is a party, was duly elected, qualified and acting as such at the time [S]he signed the Credit Agreement, the Notes and other Credit Documents to which the Borrower is a party, and [HIS/HER] signature appearing on the Credit Agreement, the Notes and the other Credit Documents to which the Borrower is a party is [HIS/HER] genuine signature.

IN WITNESS WHEREOF, the undersigned has hereunto set [HIS/HER] hand as of July 23, 2001.

- ---

(5) A separate Officer's Certificate is required for each Borrower

EXHIBIT J

WAIVER AND AGREEMENT

WHEREAS, _____ is the lessor, warehouse owner or processor (hereinafter "Obligor") and _____ , is the tenant or customer (hereinafter "Customer") pursuant to a lease, warehouse or processing agreement dated _____, (hereinafter the "Agreement") covering the real property described therein or goods warehoused or stored with the Obligor pursuant thereto at the location described therein (hereinafter the "Property); and

WHEREAS, WACHOVIA BANK, N.A. is collateral agent (the "Collateral Agent") for itself and other lenders (the "Lenders") which have extended credit facilities (together with any modifications, supplements, renewals and amendments, hereinafter the "Loans") to be secured by a security interest in all of the personal property, goods, inventory and equipment owned by the Customer now and hereafter acquired (hereinafter "personal property") which is now or about to be located on the Property.

NOW, THEREFORE, so long as the Loans remain outstanding or any commitment with respect thereto remains in force and in consideration of the mutual covenants and agreements herein contained, Obligor and Collateral Agent hereby covenant and agree as follows:

1. Obligor waives any lien, interest, claim, right or title in the personal property, which Obligor now has or may hereafter acquire, either by statute, agreement or otherwise, and agrees that the personal property shall not become part of the Property regardless of the manner in which the personal property may be attached or affixed to the Property provided that the Property is not materially damaged or altered thereby.

2. During the term of the Agreement, and any lawful holdover, Obligor agrees it will not prevent Collateral Agent or its designee from entering upon the Property at all reasonable times to inspect or remove the personal property and Collateral Agent agrees to promptly and fully repair any resulting damage to the Property. So long as the Loans are outstanding or any commitment with respect thereto remains in force, upon written request and notification by Obligor to Collateral Agent of the termination of the Agreement, Collateral Agent may cause the personal property to be removed from the Property, within a period of time not to exceed 60 days after Collateral Agent's receipt of notice from Obligor, and, if Collateral Agent decides to have the personal property removed, Collateral Agent agrees to cause any resulting damage to the Property to be fully and promptly repaired.

3. In the event Obligor terminates the Agreement as a result of default by Customer, Obligor agrees to give Collateral Agent written notice of such termination at the same time such notice is given to Customer. Obligor also agrees that Collateral Agent may cause the personal property to be removed from the property under the same terms specified in paragraph 2 above.

4. Collateral Agent may extend the amounts, times or manner of payment of any obligations of Customer to Collateral Agent or otherwise amend, modify, supplement or waive

any of the terms and conditions or any agreement respecting same, all without the consent of, or notice to Obligor.

5. All requests, notices or services provided for or permitted to be given or made pursuant to this waiver and agreement shall be deemed to have been properly given or made by depositing same in the United States Mail, postage prepaid and registered or certified, returned receipt requested, and addressed to the addresses set forth below, or to such other addresses as may from time to time be specified in writing by either party to the other:

If to Obligor:

If to Collateral Agent:

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attn: Leveraged Finance

All requests, notices or services shall be effective upon being deposited in the United States Mail, however the time period in which any response to any notice or service must be made shall commence from the date of receipt of the request, notice or service by the addressee.

6. This waiver and agreement is binding upon and inures to the benefit of Obligor and Collateral Agent, for the ratable benefit of the Lenders, and their respective successors and assigns, and to no other person or entity and shall become effective on the date it is fully executed and acknowledged by both Obligor and Collateral Agent.

IN WITNESS WHEREOF, Obligor and Collateral Agent have caused this instrument to be executed by their duly authorized officers and representatives as of the dates shown below:

OBLIGOR:

Executed by Obligor on
the ___ day of _____ ----------

By:

Title:

COLLATERAL AGENT:

Executed by Collateral Agent on WACHOVIA BANK, N.A.
the ___ day of _____

By:

Title:

EXHIBIT K

TELEPHONE INSTRUCTION LETTER

[_____]

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attention: Leveraged Finance

Ladies and Gentlemen:

Please refer to that certain Credit Agreement of even date herewith between you, the Lenders parties thereto and us ("Credit Agreement").

From any Loans under the Credit Agreement which you make to us, we hereby authorize and direct you to make disbursements from time to time for our account to our bank account number [_____] maintained with Wachovia Bank, N.A., upon receipt of telephone instructions from any of the following persons or their respective designees:

<TABLE>
<CAPTION>

Name	Title
<S>	<C>
---	---
---	---
---	---

</TABLE>

You shall have no liability to us whatsoever, except for gross negligence or willful misconduct, for acting upon any such telephone instruction which you, in good faith, believe was given by any of the above designated

persons or their respective designees and you shall have no duty to inquire as to the propriety of any disbursement.

You shall have the right to accept the telephone instructions of any of the above designated persons or their respective designees unless and until actual receipt by you from us of written notice of termination of the authority of any such designated persons. We may change persons designated to give you telephone instructions only by delivering to you written notice of such change.

Unless and until you advise us to the contrary, each telephone instruction from the above-named persons or their respective designees shall be followed by a written confirmation of the request for disbursement in such form as you make available from time to time to use for such purpose.

Very truly yours,

CROWN CRAFTS, INC. CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

BY: (SEAL)

NAME:
TITLE:

BY: (SEAL)

NAME:
TITLE:

EXHIBIT L

FORM OF CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "Agreement") is entered into as of July 23, 2001 by and among Crown Crafts, Inc. (the "Parent"), Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (each a "Subsidiary", and collectively, the "Subsidiaries"). The Parent and each of the Subsidiaries are sometimes hereinafter referred to individually as a "Contributing Party" and collectively as the "Contributing Parties").

W I T N E S S E T H :

WHEREAS, pursuant to that certain Credit Agreement dated as of even date herewith, among the Parent and the Subsidiaries (collectively, the "Borrowers"), WACHOVIA BANK, N.A., as Agent for itself and the other Banks which are party thereto from time to time (such agreement, as the same may from time to time be amended, modified, restated or extended, being hereinafter referred to as the "Credit Agreement"; unless otherwise provided herein, capitalized terms used in this Agreement have the meanings set forth in the Credit Agreement), the Banks have agreed to extend financial accommodations to the Borrowers;

WHEREAS, the Borrowers are jointly and severally liable for all Obligations under the Credit Agreement; and

WHEREAS, each Subsidiary is a wholly-owned direct or indirect subsidiary of the Parent will derive direct and indirect economic benefit from the effectiveness and existence of the Credit Agreement and the Loans made to each Borrower;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, and to induce each Lender to extend credit under the Credit Agreement, it is agreed as follows:

To the extent that any Subsidiary shall, under the Credit Agreement or any other Credit Documents, make a payment (a "Subsidiary Payment") of a portion

of the Obligations in excess of the then outstanding principal amounts of Loans actually made directly to it and for its use under the Credit Agreement, plus interest thereon, then such Subsidiary shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Contributing Parties in an amount, for each such Contributing Party, equal to a fraction of such Subsidiary Payment, the numerator of which fraction is such Contributing Party's Allocable Amount and the denominator of which is the sum of the Allocable Amounts of all of the Contributing Parties.

As of any date of determination, the "Allocable Amount" of each Contributing Party shall be equal to the maximum amount of liability which could be asserted against such Contributing Party hereunder with respect to the applicable Subsidiary Payment without (i) rendering such Contributing Party "insolvent" within the meaning of Section 101(31) of the Federal Bankruptcy Code (the "Bankruptcy Code") or Section 2 of either the Uniform Fraudulent Transfer Act (the "UFTA") or the Uniform Fraudulent Conveyance Act (the "UFCA"), (ii) leaving such

Contributing Party with unreasonably small capital, within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 5 of the UFCA, or (iii) leaving such Contributing Party unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 6 of the UFCA.

This Agreement is intended only to define the relative rights of the Contributing Parties, and nothing set forth in this Agreement is intended to or shall impair the obligations of the Borrowers, jointly and severally, to pay any amounts, as and when the same shall become due and payable in accordance with the terms of the Credit Agreement.

The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets in favor of each Subsidiary to which such contribution and indemnification is owing.

This Agreement shall become effective upon its execution by each of the Contributing Parties and shall continue in full force and effect and may not be terminated or otherwise revoked by any Contributing Party until all of the Obligations under and as defined in the Agreement shall have been indefeasibly paid in full (in lawful money of the United States of America) and discharged and the Agreement and financing arrangements evidenced and governed by the Credit Agreement shall have been terminated, and until such time, no amounts shall be payable hereunder by any party hereto, the rights of each party to amounts payable hereunder being expressly subordinated to payment of the Obligations. Each Contributing Party agrees that if, notwithstanding the foregoing, such Contributing Party shall have any right under applicable law to terminate or revoke this Agreement, and such Contributing Party shall attempt to exercise such right, then such termination or revocation shall not be effective until a written notice of such revocation or termination, specifically referring hereto and signed by such Contributing Party, is actually received by each of the other Contributing Parties and by the Agent at the notice address set forth in the Credit Agreement. Such notice shall not affect the right or power of any Contributing Party to enforce rights arising prior to receipt of such written notice by each of the other Contributing Parties and the Agent. If any Lender grants additional loans to any Borrower or takes other action giving rise to additional Obligations after any Contributing Party has exercised any right to terminate or revoke this Agreement but before the Agent receives such written notice, the rights of each other Contributing Party to contribution and indemnification hereunder in connection with any Subsidiary Payments made with respect to such loans or Obligations shall be the same as if such termination or revocation had not occurred.

IN WITNESS WHEREOF, each Contributing Party has executed and delivered this Agreement, under seal, as of the date first above written.

CROWN CRAFTS, INC.
CHURCHILL WEAVERS, INC.
HAMCO, INC.
CROWN CRAFTS INFANT PRODUCTS, INC.

BY: (SEAL)

NAME:
TITLE:

BY: (SEAL)

NAME:
TITLE:

EXHIBIT M

COLLATERAL INFORMATION CERTIFICATE

(TO BE EXECUTED BY EACH BORROWER)

THIS COLLATERAL INFORMATION CERTIFICATE (this "Certificate") is executed and delivered on July 23, 2001, by CROWN CRAFTS, INC., a Georgia corporation ("CROWN CRAFTS"), CHURCHILL WEAVERS, INC., a Kentucky corporation ("CHURCHILL"), HAMCO, INC., a Louisiana corporation ("HAMCO"), and CROWN CRAFTS INFANT PRODUCTS, INC., a Delaware corporation ("INFANT," together with Crown Crafts, Churchill, and Hamco, jointly and severally, the "Borrowers" and each a "Borrower"), to WACHOVIA BANK, N.A., as agent (the "Agent") for itself and for the other lenders (the "Lenders") under that certain Credit Agreement dated as of July 23, 2001, by and among the Borrowers, the Agent, and the Lenders (as the same may be amended or supplemented from time to time, the "Credit Agreement"). Terms used, but not defined, herein shall have the meanings given such terms in the Credit Agreement.

Each of the Borrowers agrees that this Certificate is one of the Loan Documents referred to in the Credit Agreement. Each of the Borrowers, jointly and severally with each of the other Borrowers, represents and warrants to the Agent, for and on behalf of each of the Lenders, that the information contained in this Certificate and the Schedules attached hereto is true and accurate as of the date hereof. This representation and warranty shall survive the date of, and any loan or advance made under the Credit Agreement.

All information required to be disclosed with respect to (a) CROWN CRAFT will be disclosed on the corresponding schedule denominated with a "-A"; (b) CHURCHILL will be disclosed on the corresponding schedule denominated with a "-B"; (c) HAMCO will be disclosed on the corresponding schedule denominated with a "-C"; and (d) INFANT will be disclosed on the corresponding schedule denominated with a "-D."

A plain numeric reference to a schedule shall be deemed to be a reference to all schedules beginning with such number (e.g., a reference to "Schedule 2" includes all of Schedules 2-A, 2-B, 2-C, and 2-D); provided that, a plain numeric reference to a particular schedule with respect to a particular Borrower shall be deemed to refer automatically to such Borrower's corresponding schedule (as shown above). For example, a reference to "Schedule 2" with respect to CHURCHILL shall be deemed to be an automatic reference to Schedule 2-B.

As used in this Certificate, the following terms have the following meanings:

"Investment Property" has the meaning given such term in O.C.G. ss. 11-9-102 (as in effect on and after July 1, 2001, and as thereafter amended from time to time) and includes, without limitation, securities entitlements, certificated and uncertificated securities, commodity contracts, and commodity accounts.

"Licensed Copyright" means, as to any Person, each copyright licensed by such Person from some other Person(s); provided that the term "Licensed Copyright" shall not include any software licensed by such Person to the extent such software is fungible and reasonably available for purchase by the Administrative Agent for less than $500 per licensed user.

"Licensed Mark" means, as to any Person, each Mark licensed by such Person from some other Person(s).

"Licensed Patent" means, as to any Person, each patent licensed by such Person from some other Person(s).

"Mark" means any tradename, servicemark, trademark, or trade dress.

"Owned Copyright" means, as to any Person, each copyright of which such Person, by itself or in common with some other Person(s), is the copyright holder.

"Owned Mark" means, as to any Person, each Mark owned by such Person, by itself or in common with some other Person(s).

"Owned Patent" means, as to any Person, each patent owned by such Person, by itself or in common with some other Person(s).

"Person" means any person or entity.

1. ORGANIZATIONAL INFORMATION. Schedules 1-A, 1-B, 1-C, and 1-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's full legal name, state of organization, Federal tax identification number, any fictitious or assumed names (e.g., "d/b/a" names) used by it within the last five years, and any other names under which it, or any Person to which it is successor in interest (either by merger, acquisition, or consolidation), has conducted business in the last five years, in each case listing the jurisdiction(s) where such names are/were used.

2. REAL PROPERTY. Schedules 2-A, 2-B, 2-C, and 2-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFT, CHURCHILL, HAMCO, and INFANT, respectively, the street address, city, state, zip code, and county of each parcel of real estate owned by, or leased or licensed to, each Borrower, along with a brief description of the activities conducted on such parcel and the types of personal property kept, maintained, warehoused, or stored on such parcel. To the extent applicable, copies of each written lease or license (or a thorough description of any oral lease or license) relating to any of the foregoing parcels are attached to the particular Schedule 2 on which such parcel is shown. Each Borrower's chief executive office is clearly shown on its corresponding Schedule 2. Each location at which a Borrower keeps any of its books and records relating to its accounts receivable is clearly shown on its corresponding Schedule 2. None of the Borrowers keeps any of such books and records at any location other than at those indicated on its corresponding Schedule 2. None of the Borrowers keeps, maintains, warehouses, or stores any of its personal property at any location other than shown on its corresponding Schedule 2 or Schedule 8.

3. MARKS. Schedules 3-A, 3-B, 3-C, and 3-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's Owned Marks, along with any applicable registration numbers and the jurisdictions and offices in which such Owned Marks are registered. A copy of the trademark registration for each Owned Mark is attached to the particular Schedule 3 on which such Owned Mark is shown. Schedules 3-A, 3-B, 3-C, and 3-D also accurately set forth as to each of CROWN CRAFT, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's Licensed Marks and the names and addresses of their corresponding licensors. A copy of the applicable license agreement or other document for each Licensed Mark is attached

to the particular Schedule 3 on which such Licensed Mark is shown. All of the Marks which are material to the operation of the Borrowers' business as currently conducted are shown in Schedule 3. None of the Borrowers' Owned Marks is currently licensed to any other Person, and none of the Borrowers' Licensed Marks is currently sublicensed to any other Person.

4. COPYRIGHTS. Schedules 4-A, 4-B, 4-C, and 4-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's Owned Copyrights, along with any applicable registration numbers and the jurisdictions and offices in which such Owned Copyrights were registered. A copy of the copyright registration for each Owned Copyright is attached to the particular

Schedule 4 on which such Owned Copyright is shown. Schedules 4-A, 4-B, 4-C, and 4-D also accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's Licensed Copyrights and the names and addresses of their corresponding licensors. A copy of the applicable license agreement or other document for each Licensed Copyright is attached to the particular Schedule 4 on which such Licensed Copyright is shown. All of the Borrowers' copyrights which are material to the operation of the Borrowers' business as currently conducted are shown on Schedule 4. None of the Borrowers' Owned Copyrights is currently licensed to any other Person, and none of the Borrowers' Licensed Copyrights is currently sublicensed to any other Person.

5. PATENTS. Schedules 5-A, 5-B, 5-C, and 5-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's Owned Patents, along with any applicable registration numbers and the jurisdictions and offices in which such Owned Patents are registered. A copy of the letters patent or similar registration certificate for each Owned Patent is attached to the particular Schedule 5 on which such Owned Patent is shown. Schedules 5-A, 5-B, 5-C, and 5-D also accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each Borrower's Licensed Patents and the names and addresses of their corresponding licensors. A copy of each license agreement or other document for each Licensed Patent is attached to the particular Schedule 5 on which such Licensed Patent is shown. All of the patents which are material to the operation of the Borrowers' business as currently conducted are shown on Schedule 5. None of the Borrowers' Owned Patents is currently licensed to any other Person, and none of the Borrowers' Licensed Patents is currently sublicensed to any other Person.

6. DEPOSIT ACCOUNTS. Schedules 6-A, 6-B, 6-C, and 6-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, each deposit account of each such Borrower, along with the name and address of the depository institution at which such account is maintained and the account number for such account. The Borrowers have or maintain no deposit accounts other than those listed.

7. INVESTMENT PROPERTY, INSTRUMENTS, AND CHATTEL PAPER. Schedules 7-A, 7-B, 7-C, and 7-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, (i) each item of Investment Property owned by the Borrowers (including, where applicable, the account number and the name and address of each securities intermediary and commodity intermediary where such investment property may be maintained), and, to the extent applicable, copies of all agreements and certificates evidencing such items are attached to the particular Schedule 7 on which such

Investment Property is shown; (ii) all promissory notes, evidences of indebtedness, and other instruments in favor of the Borrowers (excluding checks and other drafts received in the ordinary course of the Borrowers' business for immediate collection), and, to the extent applicable, copies of all of the same are attached to the particular Schedule 7 on which such item is shown; and (iii) all leases of equipment by a Borrower to any other Person, security agreements in favor of a Borrower or to which a Borrower is the secured party, and other chattel paper owned by a Borrower, and, to the extent applicable, copies of all of the same are attached to the particular Schedule 7 on which such item is shown.

8. BAILEES, WAREHOUSEMEN, AND OTHERS. Schedules 8-A, 8-B, 8-C, and 8-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, a list of the names and addresses of each bailee, warehouseman, inventory processor or other third party having possession of any of the Borrowers' property (other than repairmen and/or common carriers which may have possession of any of such property in the ordinary course of the Borrowers' business and not, for example, as a lienor) and documents of title relating to such property, along with a brief description of the nature of such Person's possession and the type of goods possessed. Copies of such documents of title are attached to the particular Schedule 8 on which such document of title is shown.

9. PERMITS AND LICENSES. Schedules 9-A, 9-B, 9-C, and

9-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, a list of each governmental franchise, permit, or license which is material to the operation of Borrowers' business as currently conducted, the jurisdiction and office or agency which issued or granted such franchise, permit, or license, and a brief description regarding the subject matter to which such permit pertains. A copy of each such franchise, permit, or license is attached to the particular Schedule 9 on which such franchise, permit, or license is shown. All franchises, permits, and licenses which are material to the operation of the Borrowers' business as currently conducted are shown on Schedule 9.

10. COMMERCIAL TORT CLAIMS. Schedules 10-A, 10-B, 10-C, and 10-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, a list of all claims which the Borrowers have or may have in tort, whether or not formal proceedings have been instituted, including the name or names of actual or potential defendants, a brief description of the cause or potential cause of action, and, where applicable, the name and address of the court in which formal proceedings have been brought, the case number, and the current style of such proceedings.

11. MATERIAL AGREEMENTS. Schedules 11-A, 11-B, 11-C, and 11-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, a list of all contracts, leases, instruments, guaranties or licenses, or other arrangements (other than any of the Loan Documents), whether written or oral, to which a Borrower is a party and as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could have a material adverse effect on any Borrower, along with the effective date of such agreements, the name and address of all other parties to such contracts, and a brief description of the subject matter of such contracts.

12. LETTER OF CREDIT RIGHTS. Schedules 12-A, 12-B, 12-C, and 12-D (attached hereto and made a part hereof) accurately set forth as to each of CROWN CRAFTS, CHURCHILL, HAMCO, and INFANT, respectively, a list of each letter of credit with respect to

which a Borrower has a right to payment, along with the name and address of the issuer of the letter of credit, the Person on whose behalf such letter of credit was issued, and the maximum amount available for drawing under such letter of credit.

WITNESS the signature and seal of each of the Borrowers as of the date first written above.

CROWN CRAFTS, INC.:

By: (SEAL)

Name:
Title:

CHURCHILL WEAVERS, INC.:

By: (SEAL)

Name:
Title:

HAMCO, INC.:

By: (SEAL)

Name:

Title:

CROWN CRAFTS INFANT PRODUCTS, INC.:

By: (SEAL)

Name:
Title:

EXHIBIT N

AMENDED AND RESTATED
STOCK PLEDGE AGREEMENT

THIS AMENDED AND RESTATED STOCK PLEDGE AGREEMENT (this "Agreement") dated as of July 23, 2001, by and among CROWN CRAFTS, INC., a Georgia corporation (the "Company"), and any Domestic Subsidiary of the Company which becomes a Pledgor Subsidiary pursuant to Section 24 hereof and Section 5.15 of the Credit Agreement referred to below (each a "Pledgor Subsidiary"; the Company and the Pledgor Subsidiaries being collectively referred to as the "Pledgors" and individually as a "Pledgor") and WACHOVIA BANK, N.A., a national banking association (in its individual capacity, "Wachovia") organized under the laws of the United States of America, as collateral agent (in such capacity, together with its successors and assigns, the "Collateral Agent") for itself, and for Lenders from time to time under the Credit Agreement.

WITNESSETH:

WHEREAS, the Company, Churchill Weavers, Inc., Hamco, Inc., and Crown Crafts Infant Products, Inc. (collectively, with the Company, the "Borrowers"), the Lenders, and Wachovia, as Agent, have entered into that certain Credit Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Credit Agreement"; capitalized terms used herein without definition have the meanings set forth in the Credit Agreement), pursuant to which the Lenders have agreed, subject to the terms thereof, to make available to the Borrowers certain financial accommodations;

WHEREAS, the Borrowers, the Lenders, the holders of the Senior Subordinated Notes, and Wachovia, as Agent, and the Collateral Agent are parties to that certain Intercreditor Agreement dated of even date herewith;

WHEREAS, this Agreement is an amendment and restatement of the original Pledge Agreement dated August 9, 1995, as amended, executed by the Company pursuant to the Refinanced Agreements, and it is the intent of the parties that the Liens and security interests granted pursuant to such original Pledge Agreement shall continue without interruption to secure the Obligations;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. The Pledge. Each of the Pledgors hereby pledges, hypothecates, assigns, transfers, sets over and delivers unto the Collateral Agent, and grants to the Collateral Agent, for the ratable benefit of the Lenders, a security interest in all of each Pledgor's right, title and interest in, to and under the following (collectively, the "Pledged Collateral"): (a) all of the shares of common stock, equity interests and other securities (collectively, "Securities") of the

respective Domestic Subsidiaries held by such Pledgor as set forth on Exhibit A attached hereto, as amended or supplemented from time to time (collectively, the "Issuers"); (b) any additional Securities of any of the Issuers as may from time to time be issued to the respective Pledgor or otherwise acquired by such Pledgor; (c) any additional Securities of the Issuer as may hereafter at any time be delivered to the Collateral Agent by or on behalf of the Pledgor; (d) any cash or additional Securities or other property at any time and from time to time receivable or otherwise distributable in respect of, in exchange for, or in substitution of, any of the property referred to in any of the immediately preceding clauses (a) through (c); and (e) any and all products and proceeds of any of the foregoing, together with all other rights, titles, interests, powers, privileges and preferences pertaining to said property.

Section 2. Obligations Secured. This Agreement is made, and the security interest created hereby is granted to the Collateral Agent, to secure the prompt performance and payment in full of the Obligations.

Section 3. Representations and Warranties. Each of the Pledgors, jointly and severally, hereby represents and warrants to the Collateral Agent as follows:

(a) Validly Issued, etc. All of the Securities of each Issuer have been validly issued and are fully paid and nonassessable.

(b) Title and Liens. Each Pledgor is, and, except as permitted by the Credit Agreement, will at all times continue to be, the legal and beneficial owner of the applicable Pledged Collateral and none of the Pledged Collateral is subject to any Lien (other than the Lien created by this Agreement and a junior Lien for the benefit of the holders of the Senior Subordinated Notes, as contemplated in the Credit Agreement).

(c) Name; Chief Executive Office; Taxpayer ID Number. The correct corporate name of each Pledgor, the state of its organization, the chief executive office and principal place of business of each Pledgor, the location of each Pledgor's books and records relating to the respective Pledged Collateral, and the Federal Identification number of each Pledgor is set forth on Exhibit B attached hereto. None of the Pledgors has any offices or places of business other than as set forth on Exhibit B.

(d) Authority, etc. Each of the Pledgors (i) has the power and authority to pledge the Pledged Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement and a junior Lien for the benefit of the holders of the Senior Subordinated Notes, as contemplated in the Credit Agreement), however arising, of all persons.

(e) No Approval. No consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledges effected hereby.

(f) Outstanding Shares. The Securities pledged by each of the Pledgors hereunder constitute all of the issued and outstanding Shares of the respective Domestic Subsidiary owned by each of the Pledgors.

Section 4. Covenants. Each of the Pledgors hereby unconditionally covenants and agrees as follows:

(a) No Liens; No Sale of Pledged Collateral. None of the Pledgors will create, assume, incur or permit or suffer to exist or to be created, assumed or incurred, any Lien on any of the Securities (other than the Lien created by this Agreement and a junior Lien for the benefit of the holders of the Senior Subordinated Notes, as contemplated in the Credit Agreement), and will not, except as permitted by the Credit Agreement, without the prior written consent of the Collateral Agent (which consent shall not be unreasonably withheld), sell, lease, assign, transfer or otherwise dispose of all or any portion of the Securities (or any interest therein).

(b) Change of Locations, Name, Etc. Without giving the Collateral Agent 30 days' prior written notice, none of the Pledgors will (i) change such Pledgor's state of organization, registered legal name, chief executive office,

principal place of business, or the location of its books and records relating to any of the Pledged Collateral or (ii) change such Pledgor's name, identity or structure.

Section 5. Additional Shares.

(a) During the period this Agreement is in effect, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to issue any additional shares of capital stock or other equity securities or interests, unless such additional shares have been delivered and pledged to the Collateral Agent. Further, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to amend or modify its respective articles or certificate of incorporation in a manner which would materially adversely affect the voting, liquidation, preference or other rights of a holder of the Pledged Collateral.

(b) Each of the Pledgors agrees that, until this Agreement has terminated in accordance with its terms, any additional Securities of any of the Issuers at any time issued to any of the Pledgors or otherwise acquired by any of the Pledgors shall be promptly delivered or otherwise transferred to the Collateral Agent as additional Pledged Collateral and shall be subject to the Lien of, and the terms and conditions of, this Agreement.

Section 6. Registration in Nominee Name, Denominations. The Collateral Agent shall have the right (in its sole and absolute discretion) to hold the Pledged Collateral in its own name as pledgee, the name of its nominee (as Collateral Agent or as sub-agent) or the name of the applicable Pledgor, endorsed or assigned in blank pursuant to a separate blank stock power or in favor of the Collateral Agent or (where applicable) registered in the name of the Collateral Agent in the relevant stock registry. Each of the Pledgors will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Collateral registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Collateral for certificates of smaller or larger numbers of shares for any purpose consistent with this Agreement.

Section 7. Voting Rights; Dividends, etc.

(a) So long as no Event of Default shall have occurred and be continuing, with respect to any Securities:

(i) each of the Pledgors shall be entitled to exercise any and all voting and/or consensual rights and powers accruing to an owner of the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms and conditions of this Agreement or any agreement giving rise to or otherwise relating to any of the Obligations; provided, however, that none of the Pledgors shall exercise, or refrain from exercising, any such right or power if any such action would have a materially adverse effect on the value of such Pledged Collateral in the reasonable judgment of the Collateral Agent;

(ii) each of the Pledgors shall be entitled to retain and use any and all cash dividends, interest and principal paid on the Pledged Collateral, but any and all stock and/or liquidating dividends, other distributions in property, return of capital or other distributions made on or in respect of Pledged Collateral, whether resulting from a subdivision, combination or reclassification of outstanding Securities of any of the Issuers which are pledged hereunder or received in exchange for the respective Pledged Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets or on the liquidation, whether voluntary or involuntary, of any of the Issuers, or otherwise, shall be and become part of the Pledged Collateral pledged hereunder and, if received by any of the Pledgors, shall forthwith be delivered to the Collateral Agent to be held as collateral subject to the terms and conditions of this Agreement.

(b) The Collateral Agent agrees to execute and deliver to each of the Pledgors, or cause to be executed and delivered to each of the Pledgors, as appropriate, at the sole cost and expense of such Pledgor, all such proxies, powers of attorney, dividend orders and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the

voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to clause (a)(i) above and/or to receive the dividends which such Pledgor is authorized to retain pursuant to subsection (a)(ii) above.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of each the Pledgors to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to subsection (a)(i) above and/or to receive the dividends, interest and principal that such Pledgor is authorized to receive and retain pursuant to subsection (a)(ii) above shall cease, and all such rights thereupon shall become immediately vested in the Collateral Agent, which shall have, to the extent permitted by law, the sole and exclusive right and authority (acting at the direction of the Required Lenders) to exercise such voting and/or consensual rights and powers which each of the Pledgors shall otherwise be entitled to exercise pursuant to subsection (a)(i) above and/or to receive and retain the dividends which each of the Pledgors shall otherwise be authorized to retain pursuant to subsection (a)(ii) above. Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this subsection (c) shall be retained by the Collateral Agent as additional collateral hereunder and shall be applied in accordance with the provisions of Section 10. If any of the Pledgors shall receive any dividends or other property which it is not entitled to receive under this Section, such Pledgor shall hold the same in trust for the Collateral Agent, without commingling the same with other funds or property of or held by such Pledgor, and shall promptly deliver the same to the Collateral Agent upon receipt by such Pledgor in the identical form received, together with any necessary endorsements.

Section 8. Event of Default Defined. For purposes of this Agreement, "Event of Default" shall mean:

(a) any of the Pledgors shall fail to observe or perform any covenant or agreement contained in Sections 4(a), 5, or 7(a)(ii) hereof;

(b) any of Pledgors shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by the immediately preceding subsection (a)) for a period of 30 days after written notice thereof has been given to such Pledgor by the Collateral Agent; and

(c) an Event of Default under and as defined in the Credit Agreement shall occur and be continuing.

Section 9. Remedies upon Default.

(a) In addition to any right or remedy that the Collateral Agent may have under the Credit Agreement, the other Credit Documents or otherwise under applicable law, if an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise any and all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction (the "Code") and may otherwise sell, assign, transfer, endorse and deliver the whole or, from time to time, any part of the Pledged Collateral at a public or private sale or on any securities exchange, for cash, on credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as the Collateral Agent (acting at the direction of the Required Lenders, in their sole discretion) shall deem appropriate. As further provided for in Section 14 hereof, the Collateral Agent shall be authorized at any sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Pledged Collateral for their own account in compliance with the Securities Laws (as such term is defined in Section 14 below) and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer, endorse and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each purchaser at any sale of Pledged Collateral shall take and hold the property sold absolutely free from any claim or right on the part of any of the Pledgors, and each of the Pledgors hereby waives (to the fullest extent permitted by applicable law) all rights of redemption, stay and/or appraisal which any of the Pledgors now has or may at any time in the future have under any applicable law now existing or hereafter enacted. Each of the Pledgors agrees that, to the extent notice of sale shall be required by applicable law, at least ten days' prior written notice to the applicable Pledgor of the time and place of any public sale or the time after

which any private sale is to be made shall constitute reasonable notification, but notice given in any other reasonable manner or at any other reasonable time shall constitute reasonable notification. Such notice, in case of public sale, shall state the time and place for such sale, and, in the case of sale on a securities exchange, shall state the exchange on which such sale is to be made and the day on which the respective Pledged Collateral, or portion thereof, will first be offered for sale at such exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and shall state in the notice or publication (if any) of such sale. At any such sale, the applicable Pledged Collateral, or portion thereof to be sold, may be sold in one lot as an entirety or in separate parcels, as the Collateral

Agent may determine (acting at the direction of the Required Lenders, in their sole and absolute discretion). The Collateral Agent shall not be obligated to make any sale of any of the Pledged Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Pledged Collateral may have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case the sale of all or any part of the Pledged Collateral is made on credit or for future delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability to any of the Pledgors in case any such purchaser or purchasers shall fail to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may be sold again upon like notice. At any public sale made pursuant to this Agreement, the Collateral Agent or any Lender (in accordance with [Section 2.10(e) of the Credit Agreement]), to the extent permitted by applicable law, may bid for or purchase, free from any right of redemption, stay and/or appraisal on the part of any of the Pledgors (all said rights being also hereby waived and released to the extent permitted by applicable law), any part of or all the Pledged Collateral offered for sale and may make payment on account thereof by using any claim then due and payable to the Collateral Agent from any of the Pledgors as a credit against the purchase price, and the Collateral Agent may, upon compliance with the terms of sale and to the extent permitted by applicable law, hold, retain and dispose of such property without further accountability to any of the Pledgors therefor. For purposes hereof, a written agreement to purchase all or any part of the Pledged Collateral shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and none of the Pledgors shall be entitled to the return of any Pledged Collateral subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default may have been remedied or the Obligations may have been paid in full as herein provided. Each of the Pledgors hereby waives any right to require any marshaling of assets and any similar right.

(b) In addition to exercising the power of sale herein conferred upon it, the Collateral Agent (acting at the direction of the Required Lenders) shall also have the option to proceed by suit or suits at law or in equity to foreclose this Agreement and sell the Pledged Collateral or any portion thereof pursuant to judgment or decree of a court or courts having competent jurisdiction.

(c) In addition to the foregoing, the Collateral Agent (acting at the direction of the Required Lenders) shall have all other rights, powers and remedies which are available to it under any applicable laws.

(d) The rights and remedies of the Collateral Agent under this Agreement are cumulative and not exclusive of any rights or remedies which it would otherwise have.

Section 10. Application of Proceeds of Sale and Cash. Each of the Pledgors agrees to pay to the Collateral Agent all Enforcement Costs (as defined below) paid or incurred by the Collateral Agent. This agreement in this Section 10 shall survive the termination of this Agreement and the Lien on the Pledged Collateral. All Enforcement Costs, together with interest thereon from the date of any demand therefor until paid in full at a per annum rate of interest

equal at all times to the Default Rate, shall be paid by the Company to the Collateral Agent whenever demanded by the Collateral Agent.

Any proceeds of the collection of the sale or other disposition of the Pledged Collateral will be applied by the Collateral Agent in accordance with the terms of Section 2.11(e) of the Credit Agreement, subject to the Intercreditor Agreement. If the sale or other disposition of the Pledged Collateral fails to satisfy all of the Obligations, the Debtors shall remain liable to the Collateral Agent and the Lenders for any deficiency. Subject to the terms of the Intercreditor Agreement, any surplus from the sale or disposition of the Pledged Collateral shall be paid to the respective Pledgor or to any other party entitled thereto or shall otherwise be paid over in a manner permitted by law after payment in full of all Obligations and the Enforcement Costs related to any such payment.

As used herein, the term "Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, reasonable attorneys' fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Collateral Agent in connection with (a) the collection or enforcement of any or all of the Obligations or this Agreement (including, without limitation, reasonable attorneys fees incurred prior to the institution of any suit or other proceeding), (b) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Pledged Collateral, (c) the monitoring, inspection, administration, processing, servicing of any or all of the Obligations and/or the Pledged Collateral, (d) the preparation of this Agreement, the Security Documents, and the preparation and review of lien and record searches, reports, certificates, and/or other documents or information relating from time to time to the taking, perfection, inspection, preservation, protection and/or release of a Lien on the Pledged Collateral, the value of the Pledged Collateral, or otherwise relating to the Collateral Agent's or any Lender's rights, powers and remedies under this Agreement or with respect to the Pledged Collateral, and (e) all filing and/or recording taxes or fees and all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, the Pledgors hereby agreeing jointly and severally to indemnify and save the Collateral Agent and the Lenders harmless from and against such liabilities.

Section 11. Collateral Agent Appointed Attorney-in-Fact. From and after the occurrence and during the existence of an Event of Default, each of the Pledgors hereby constitutes and appoints the Collateral Agent as the attorney-in-fact of each Pledgor with full power of substitution either in the Collateral Agent's name or in the name of each of the Pledgors to do any of the following with respect to any Securities and the related Pledged Collateral: (a) to perform any obligation of any of the Pledgors hereunder in such Pledgor's name or otherwise; (b) to ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all moneys due or to become due under and by virtue of any Pledged Collateral; (c) to prepare, execute, file, record or deliver notices, assignments, financing statements, continuation statements, applications for registration or like papers to perfect, preserve or release the Collateral Agent's security interest in the Pledged Collateral or any of the documents, instruments, certificates and agreements described in Section 13(b); (d) to verify facts concerning the Pledged Collateral in its own name or a fictitious name; (e) to endorse checks,

drafts, orders and other instruments for the payment of money payable to any of the Pledgors, representing any interest or dividend or other distribution payable in respect of the Pledged Collateral or any part thereof or on account thereof and to give full discharge for the same; (f) to exercise all rights, powers and remedies which any of the Pledgors would have, but for this Agreement, under the Pledged Collateral; and (g) to carry out the provisions of this Agreement and to take any action and execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, and to do all acts and things and execute all documents in the name of

each of the Pledgors or otherwise, deemed by the Collateral Agent as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. Nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or notice, or to take any action with respect to the Pledged Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the Collateral Agent or omitted to be taken with respect to the Pledged Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of the Pledgor or to any claim or action against the Collateral Agent. The power of attorney granted herein is irrevocable and coupled with an interest.

Section 12. Reimbursement of Collateral Agent. Each of the Pledgors agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or any sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure by any of the Pledgors to perform or observe any of the provisions hereof. Any such amounts payable as provided hereunder shall be additional obligations secured hereby and by the other Security Documents.

Section 13. Further Assurances. Each of the Pledgors shall, at its sole cost and expense, take all action that may be necessary or desirable in the Collateral Agent's sole discretion or at the request of the Required Lenders, so as at all times to maintain the validity, perfection, enforceability and priority of the Collateral Agent's security interest in the Pledged Collateral, or to enable the Collateral Agent to exercise or enforce its rights hereunder, including without limitation (a) delivering to the Collateral Agent, endorsed or accompanied by such instruments of assignment as the Collateral Agent may specify, any and all chattel paper, instruments, letters of credit and all other undertakings of guaranty and documents evidencing or forming a part of the Pledged Collateral and (b) executing and delivering financing statements, pledges, designations, notices and assignments, in each case in form and substance satisfactory to the Collateral Agent, relating to the creation, validity, perfection, priority or continuation of the security interest granted hereunder. Subject to the foregoing, each of the Pledgors agrees to take, and authorizes the Collateral Agent to take on such Pledgor's behalf, any or all of the following actions with respect to any Pledged Collateral as the Collateral Agent shall deem necessary to perfect the security interest and pledge created hereby or to enable the Collateral Agent to enforce its rights and remedies hereunder: (i) to register in the name of the Collateral Agent any Pledged Collateral in certificated or uncertificated form; (ii) to endorse in the name of the Collateral Agent any Pledged Collateral issued in certificated form; and (iii) by book entry or

otherwise, identify as belonging to the Collateral Agent a quantity of securities that constitutes all or part of the Pledged Collateral registered in the name of the Collateral Agent. Notwithstanding the foregoing each of the Pledgors agrees that Pledged Collateral which is not in certificated form or is otherwise in book-entry form shall be held for the account of the Collateral Agent. Each of the Pledgors hereby authorizes the Collateral Agent to execute and file in all necessary and appropriate jurisdictions (as determined by the Collateral Agent) one or more financing or continuation statements (or any other document or instrument referred to in the immediately preceding clause (b)) in the name of the applicable Pledgor and to sign such Pledgor's name thereto. Each of the Pledgors authorizes the Collateral Agent to file any such financing statement, document or instrument without the signature of such Pledgor to the extent permitted by applicable law. To the extent permitted by applicable law, a carbon, photographic, xerographic or other reproduction of this Agreement or any financing statement is sufficient as a financing statement. Any property comprising part of the Pledged Collateral required to be delivered to the Collateral Agent pursuant to this Agreement shall be accompanied by proper instruments of assignment duly executed by each of the Pledgors and by such other instruments or documents as the Collateral Agent may reasonably request.

Section 14. Securities Laws. In view of the position of the Pledgors in

relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar applicable law hereafter enacted analogous in purpose or effect, whether foreign or domestic (such Act and any such similar applicable law as from time to time in effect being called the "Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder. Each of the Pledgors understands that compliance with the Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral in accordance with the terms hereof, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral in accordance with the terms hereof under applicable Blue Sky or other state securities laws or similar applicable law analogous in purpose or effect. The Pledgor recognizes that in light of the foregoing restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment, and not with a view to the distribution or resale thereof. Each of the Pledgors acknowledges and agrees that in light of the foregoing restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, may, in accordance with applicable law, (a) proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws and (b) approach and negotiate with a single potential purchaser to effect such sale. Each of the Pledgors acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Collateral in accordance with the terms hereof at a price that the Collateral Agent (acting at the direction of the Required Lenders, in their sole and absolute discretion), may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a

single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

Section 15. Indemnification. Each of the Pledgors agrees jointly and severally to indemnify and hold the Collateral Agent and any corporation controlling, controlled by, or under common control with, the Collateral Agent and any officer, attorney, director, shareholder, agent or employee of the Collateral Agent or any such corporation (each an "Indemnified Person"), harmless from and against any claim, loss, damage, action, cause of action, liability, cost and expense or suit of any kind or nature whatsoever (collectively, "Losses"), brought against or incurred by an Indemnified Person, in any manner arising out of or, directly or indirectly, related to or connected with this Agreement, including without limitation, the exercise by the Collateral Agent of any of its rights and remedies under this Agreement or any other action taken by the Collateral Agent pursuant to the terms of this Agreement; provided, however, the Pledgor shall not be liable to an Indemnified Person for any Losses to the extent that such Losses result from the gross negligence or willful misconduct of such Indemnified Person. Each Pledgor's obligations under this section shall survive the termination of this Agreement and the payment in full of the Obligations.

Section 16. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall remain in full force and effect until it terminates in accordance with its terms. Each of the Pledgors and the Collateral Agent hereby agree that the security interest created by this Agreement in the Pledged Collateral shall not terminate and shall continue and remain in full force and effect notwithstanding the transfer to any of the Pledgors or any person designated by it of all or any portion of the Pledged Collateral.

Section 17. Security Interest Absolute. All rights of the Collateral

Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Credit Document, the Intercreditor Agreement, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of the payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Credit Document, the Intercreditor Agreement, or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations, including, without limitation, the release of any one or more Pledgors or other Persons from this Agreement or any other agreement securing the payment and performance of the Obligations or other indebtedness of the Pledgors or of any other Person to the Lenders, the Agent, the Collateral Agent, or the holders of the Senior Subordinated Notes, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any of the Pledgors in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

Section 18. No Waiver. Neither the failure on the part of the Collateral Agent to exercise, nor the delay on its part in exercising any right, power or remedy hereunder, nor any course of dealing between the Collateral Agent and any of the Pledgors shall operate as a waiver

thereof, nor shall any single or partial exercise of any such right, power, or remedy hereunder preclude any other or the further exercise thereof or the exercise of any other right, power or remedy.

Section 19. Notices. Notices, requests and other communications required or permitted hereunder shall be given in accordance with the applicable terms of the Credit Agreement.

Section 20. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 21. Amendments. No amendment or waiver of any provision of this Agreement nor consent to any departure by any of the Pledgors herefrom shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 22. Binding Agreement; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that none of the Pledgors shall be permitted to assign this Agreement or any interest herein or in the Pledged Collateral, or any part thereof, or any cash or property held by the Collateral Agent as collateral under this Agreement.

Section 23. Termination. Upon indefeasible payment in full of all of the Obligations, and termination of all Commitments under the Credit Agreement, this Agreement shall terminate. Upon termination of this Agreement in accordance with its terms the Collateral Agent agrees to take such actions as the Company may reasonably request, and at the sole cost and expense of the Company, (a) to return the Pledged Collateral to the applicable Pledgor, and (b) to evidence the termination of this Agreement, including, without limitation, the filing of any releases or any termination statements under the Uniform Commercial Code.

Section 24. Joint and Several Liability; Additional Pledgors; Release of Pledgors. The obligations and liabilities of the Pledgors from time to time party to this Agreement shall be joint and several. Section 5.15 of the Credit Agreement provides that Domestic Subsidiaries which own or acquire a Domestic Subsidiary and which are not Pledgors must become Pledgors hereunder by, among other things, executing and delivering to the Agent a joinder with respect to this Agreement. Any Domestic Subsidiary which executes and delivers to the Agent a joinder with respect to this Agreement shall be a Pledgor for all purposes hereunder and shall thereafter be jointly and severally liable with all other Pledgors then party to this Agreement or thereafter joined hereto.

Section 25. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

Section 26. Headings. Section headings used herein are for convenience only and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

Section 27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute but one agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, each of the Pledgors has executed and delivered this Agreement under seal as of the date first written above.

CROWN CRAFTS, INC. (SEAL)

By:

Name:
Title:

Agreed to, accepted and acknowledged
as of the date first written above.

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

EXHIBIT A

PLEDGED COLLATERAL

PLEDGOR: CROWN CRAFTS, INC.

<TABLE>
<CAPTION>

Name of Subsidiary	Class of Stock	No. of Shares Authorized	No. of Shares Issued	No. of Shares Outstanding	No. of Shares Pledged	Certificate Nos. for Pledged Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Churchill Weavers, Inc.	Common $100 par	2,000	306	306	306	16
Hamco, Inc.	Common/no par	1,000	1,000	1,000	1,000	4

The Red Calliope (predecessor of Crown Crafts Infant Products, Inc., no replacement certificates having been issued)	Common $0.001 par	10,000	100	100	100	27

EXHIBIT B

PLEDGORS

Crown Crafts, Inc. a Georgia corporation
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Federal Tax I.D. # 58-0678148

EXHIBIT O

[RESERVED]

EXHIBIT P-1

FORM OF LETTER OF CREDIT REQUEST

TO: Lenders listed in that certain Credit Agreement, dated as of July 23, 2001 (the "Credit Agreement"), among Crown Crafts, Inc. (the "Parent"), Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc., the Lenders listed therein and Wachovia Bank, N.A., as Agent ("Agent").

Pursuant to Section 2.17(a) of the Credit Agreement, the undersigned authorized officer of the undersigned Borrower hereby requests [a] Letter[s] of Credit as follows:

Face Amount	Date of Issuance	Letter of Expiry Date	Credit Purpose	Beneficiary
<S>	<C>	<C>	<C>	<C>

The undersigned hereby certifies that the amount of the outstanding Letter of Credit Obligations prior to giving effect to any Letter of Credit requested hereby is equal to $[_____].

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meaning in this notice.

Date: [_____].

[BORROWER]

By:

Name:
Title:

EXHIBIT P-2

FORM OF NOTICE
IN RESPECT OF ISSUANCE OF LETTERS OF CREDIT

TO: Lenders listed in that certain Credit Agreement, dated as of July 23, 2001 (the "Credit Agreement"), among Crown Crafts, Inc. (the "Parent"), Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc., the Lenders listed therein and Wachovia Bank, N.A., as Agent ("Agent").

Pursuant to Section 2.17(b) of the Credit Agreement, the Agent hereby certifies to the Lenders that it has issued the following Letters of Credit pursuant to Article 2 of the Credit Agreement:

<TABLE>
<CAPTION>

Letter of Credit No. and Face Amount	Date of Issuance	Expiry Date	Letter of Credit Purpose	Beneficiary
<S>	<C>	<C>	<C>	<C>

</TABLE>

A copy of each of the Letters of Credit listed above has been attached hereto.

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meaning in this notice.

Date: [_____].

WACHOVIA BANK, N.A.

By:

Name:
Title:

EXHIBIT Q

BLOCKED ACCOUNT AGREEMENT

THIS BLOCKED ACCOUNT AGREEMENT is made as of the _____ day of [_____], by and among [_____] (the "Obligor"), WACHOVIA BANK, N.A., as Collateral Agent (the "Collateral Agent") and [_____] (the "Bank").

WHEREAS, the Obligor is the borrower under or a guarantor with respect to the borrower's obligations under that certain Credit Agreement (the "Credit Agreement") dated as of July 23, 2001 by and among Crown Crafts, Inc. (the "Parent"), Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc., the Lenders named therein (the "Lenders") and Wachovia Bank, N.A., in its capacity as the agent for the Lenders (the "Agent") wherein, among other things, the Obligor has granted the Collateral Agent, for the benefit of the Lenders, a security interest in its present and future accounts receivable, general intangibles and all proceeds thereof and the Obligor has agreed that all collections and proceeds of such accounts receivable and general intangibles shall be remitted in kind to the Collateral Agent; and

WHEREAS, the Collateral Agent and the Obligor desires to use an account of the Bank until a lockbox arrangement with the Collateral Agent can be established; and

WHEREAS, the Bank is willing to provide said service for the Obligor and the Collateral Agent commencing as of the date hereof;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. MAINTENANCE OF ACCOUNT. Customers of the Obligor have been, or will be, to the extent consistent with the Obligor's past practice, instructed to mail their remittances to the offices of the Obligor. The Obligor shall cause all remittances received by it to be deposited into the Account (as defined below) on the day received by the Obligor, unless received after 2:00 P.M., (at the Bank's local time), in which case such deposits may be made on the next Business Day. Until a Notice of Redirection substantially in the form of Exhibit A hereto (a "Notice") is delivered by the Collateral Agent to the Bank, available balances in the Account shall be transferred each business day by the Bank from the Account via the automatic clearing house system or wire transfer to [_____], provided that available balances exceed $[_____] before being so transferred. Upon the delivery of a Notice by the Collateral Agent to the Bank, the Bank shall transfer such funds only as provided in such Notice. The Bank shall mail both a deposit advice for all deposits to the Account on a daily basis and a statement of account, on a monthly basis, to the Obligor and, upon request by the Collateral Agent, to the Collateral Agent. In addition, the Bank shall indicate by telephone to the Collateral Agent on each Bank business day by [2:30] P.M. (Atlanta, Georgia time) the amount of each day's deposit total.

2. ACCOUNT ASSIGNED. The Obligor shall cause the Bank to change its books and records to indicate that Account No. [_____] (the "Account") opened by the Obligor has been and hereby is irrevocably and unconditionally assigned to the Collateral Agent. The Obligor shall have no control whatsoever over items deposited in the Account. The Account

shall be designated as the "[_____] Collection Account for Wachovia Bank, N.A., as Collateral Agent". The Bank will have exclusive and unrestricted access to the Account.

3. RETURNED CHECKS. Checks deposited in the Account which are returned unpaid because of "Insufficient Funds," "Uncollected Funds," etc., will be redeposited by the Bank only once, and if a returned check exceeds $[1,000], the Bank shall notify both the Collateral Agent and the Obligor thereof by telephone. If redeposit is not warranted for reasons such as "account closed" or "payment stopped" or if a check is returned a second time, the Bank shall notify both the Collateral Agent and the Obligor thereof by telephone, and send such returned check to the Obligor.

4. RECORD MAINTENANCE. All deposited checks will be microfilmed (on front and back) by the Bank and retained for five years by the Bank prior to destruction. Photocopies of filmed items will be provided to the Collateral Agent or the Obligor on request, within the five-year period.

5. BANK CHARGES. All expenses for the maintenance of the Account are the responsibility of the Obligor and shall not be charged against any checks, remittances, or other forms of collections.

6. INDEMNITY. The Bank hereby agrees that it will treat all remittances received in the Account in accordance with the terms of this Agreement. The amount of any check previously credited to the Account and subsequently returned unpaid for any of the reasons set forth in Section 3 hereof shall be debited to the Account. In addition, the Collateral Agent hereby indemnifies the Bank for payment of Bank charges and fees described in Section 5 hereof, and any check, the amount of which was been previously transferred to the Collateral Agent, but which is returned unpaid on account of any of the reasons set forth in Section 5 hereof. The Obligor agrees to immediately reimburse Collateral Agent for any payments made by the Collateral Agent to the Bank pursuant to this Agreement, and hereby irrevocably authorizes the Collateral Agent to charge the Obligor's account with the Collateral Agent for the full amount of all such payments.

7. BANK LIABILITY. In acting under this agreement the Bank shall not be liable to the Collateral Agent or the Obligor for any error of judgment, or for any act done or step taken or omitted by it in good faith, except for the Bank's gross negligence or willful misconduct.

8. TERM. This agreement shall continue in full force and effect until termination by the Bank on 60 days' prior written notice to both other parties. The Collateral Agent may terminate at any time which termination shall be effective on receipt of written notice by the Bank. The Obligor shall have no right to unilaterally terminate this Agreement.

9. MODIFICATION; CHOICE OF LAW. This Agreement may only be modified by a writing signed by all of the parties hereto. This Agreement shall be governed by the internal laws of the state of Georgia.

10. ADDRESSES. All notices, including phone notice, daily deposit advices, monthly statements of account and copies of all checks and the documents which are to be given or sent

to the Collateral Agent shall be sent to the following address, and, where applicable, given at the following phone number:

a. Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1757
Attention: Leveraged Finance
Telephone: 404-332-5709

b. All notices to the Bank shall be sent to:

Attention:

Telephone: ___- ___ -____

c. All notices and items which are to be sent to the Obligor shall be sent to:

Attention:

Telephone: ___- ___ -____

This Agreement shall become effective upon its receipt by the Collateral Agent, properly executed by all of the parties hereto.

COLLATERAL AGENT:

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

OBLIGOR:

[----------]

By:

Title:

BANK:

[----------]

By:

Title:

EXHIBIT A

[Letterhead of Collateral Agent]

Notice of Redirection

_____, 20____

- ---

- ---

- ---
Attention:

Re: [_____] Collection Account for Wachovia Bank, N.A., as Collateral Agent, Account No._____ (the "Account")

Ladies and Gentlemen:

Reference is made to that certain lockbox agreement dated as of [_____] (the "Agreement") among you, us, as Collateral Agent, and [_____] as the Obligor pursuant to which we, for our benefit and for the benefit of the Lenders (as defined in the Agreement), were given exclusive interest and control of the Account. This notice is given in accordance with the terms of the Agreement.

Effective immediately and continuing until we shall authorize you in writing to do otherwise, we hereby direct you to transfer on a daily basis all funds deposited into the Account with the following instructions:

[insert appropriate instructions]

Very truly yours,

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

EXHIBIT R

CONSOLIDATED EXCESS CASH FLOW CERTIFICATE

Reference is made to the Credit Agreement dated as of July 23, 2001 (as modified and supplemented and in effect from time to time, the "Credit Agreement") by and among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively or individually, as the context shall require, the "Borrowers"), the Lenders from time to time parties thereto, and Wachovia Bank, N.A., as Agent. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to SECTION 2.01(c) of the Credit Agreement, _____, the duly authorized _____ of the Parent, hereby certifies to the Agent and the Lenders that, as of the last day of the Annual Period ended _____, 200__, the information contained in the Consolidated Excess Cash Flow Certificate attached hereto is true, accurate and complete in all material respects.

CROWN CRAFTS, INC.

By: (SEAL)

Name:
Title:

CROWN CRAFTS
CALCULATION OF CONSOLIDATED EXCESS CASH FLOW
FOR ANNUAL PERIOD ENDED _____, 200__

<TABLE>
<S> <C> <C>

(a)	Consolidated EBITDA	Schedule 1	$_____
(b)	Capital Expenditures		$_____
(c)	taxes paid		$_____
(d)	Consolidated Free Cash Flow (sum of (a), less (b), less (c))		$_____
(e)	Consolidated Available Free Cash Flow (70% of (d))		$_____
(f)	Cash Interest paid	Schedule 2	$_____
(g)	aggregate of Minimum Principal Reduction Amounts paid		$_____
(h)	CONSOLIDATED EXCESS CASH FLOW		

(sum of (e), less (f), less (g) $_____

</TABLE>

Schedule 1

CONSOLIDATED EBITDA

<TABLE>

<S> <C> <C>

(a) Consolidated Net Income for:

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

(b) depreciation and amortization expenses for:

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

(c) Consolidated Interest Expense for:

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

(d) income tax expense included in Consolidated Net Income for:

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

____ quarter ____ $_____

</TABLE>

Schedule 2

CASH INTEREST

<TABLE>

<S> <C> <C>

(a) interest on Revolving Loans $_____

(b) interest on Term Loans at Cash Contract Rate $_____

(c) interest on Senior Subordinated Debt $_____

(d) CASH INTEREST (sum of (a), plus (b), plus (c)) $_____

</TABLE>

EXHIBIT S

ASSIGNMENT OF FACTORING CREDIT BALANCES

[TO BE REVISED AS APPROPRIATE FOR A FACTOR OTHER THAN CIT]

THIS ASSIGNMENT OF FACTORING CREDIT BALANCES (this "Assignment Agreement"), made this ___ day of _____, 2001 by and among, CROWN CRAFTS, INC., HAMCO, INC. and CROWN CRAFTS INFANT PRODUCTS, INC. (collectively, the "Company"), THE CIT GROUP/COMMERCIAL SERVICES, INC. (the "Factor"), and WACHOVIA BANK, N.A., as collateral agent (the "Collateral Agent");

WITNESSETH:

WHEREAS, the Company entered into a factoring agreement with Barclays American/Commercial, Inc., the predecessor in interest to the Factor, dated January 26, 1982 (as amended, modified or supplemented, the "Factoring Agreement"), pursuant to which the Factor purchases from the Company accounts receivable arising out of the sale of goods and/or performance of services by the Company as more fully set forth in the Factoring Agreement; and

WHEREAS, pursuant to that certain Credit Agreement dated as of July 23, 2001 by and among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc., the Lenders named therein and Wachovia Bank, N.A., as Agent and collateral agent (the "Credit Agreement"; capitalized terms used herein without definition have the meanings set forth in the Credit Agreement) , the Company has agreed to provide the Collateral Agent, for the benefit of the Lenders with certain collateral security from time to time to secure indebtedness and other obligations owed by the Company to the Collateral Agent and the Lenders;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other valuable consideration, receipt whereof is hereby acknowledged, the parties hereto agree as follows:

1. As security for the Obligations, the Company hereby assigns, transfers and sets over unto the Collateral Agent, for the benefit of the Lenders, and hereby grants a security interest to the Collateral Agent, for the benefit of the Lenders, in and to all its rights, title and interest in and to monies due and to become due and payable to the Company from time to time under the Factoring Agreement.

2. The Factor and the Company warrant and represent that a true and correct copy of the Factoring Agreement, and all amendments thereto as of the date of this Assignment Agreement, if any, are attached hereto as Exhibit A. The Factor agrees not to amend the Factoring Agreement in any material respect after the date hereof that would adversely affect the interest of the Collateral Agent or the Lenders hereunder without the prior written consent of the Collateral Agent. The Factor confirms that, to the best of its knowledge, no assignment, notice

of assignment or notice of lien applicable to the monies therefor assigned to the Collateral Agent under this Agreement has been filed with the Factor by any person, firm or corporation. The Factor agrees that notwithstanding any contrary provision in the Factoring Agreement, the Company may grant a security interest to the Collateral Agent, for the benefit of the Lenders, in any accounts receivable and any other property of the Company from time to time and that no loans or advances shall be made by the Factor to the Company, under the Factoring Agreement or otherwise.

3. The Factor shall remit directly to the Collateral Agent, at _____, all monies to which the Company is now or may hereafter be entitled pursuant to the terms of the Factoring Agreement, as and when such monies become due and payable to the Company under the Factoring Agreement, subject to (a) the Factor's setoff against any and all

fees and expenses owing by the Company to the Factor under the terms of the Factoring Agreement, (b) the reserve, if any, which the Factor is entitled to retain in accordance with the terms of the Factoring Agreement, and (c) the Factor's other rights under the Factoring Agreement, and (d) an order of a court of proper jurisdiction or unless otherwise required by the United States Bankruptcy Code and Regulations, and (e) termination of this Assignment Agreement.

The Company represents and warrants to the Factor that the assignment, transfer and security interest made in this Assignment Agreement is validly perfected in all respects pursuant to the Uniform Commercial Code or other applicable law, and that the Collateral Agent alone (for the benefit of the Lenders) is entitled to receive all amounts otherwise available to the Company under the Factoring Agreement. The Company agrees to indemnify and to hold the Factor harmless from any and all liability or expense which may be incurred by Factor by reason of the Factor's recognition of this Assignment Agreement, the security interest contained herein, and the making by the Factor of remittances to the Collateral Agent as herein provided. This indemnity shall survive termination of this Assignment Agreement.

4. The Factor agrees to send to the Collateral Agent a photocopy of the monthly statement of the Company's account with the Factor covering transactions under the Factoring Agreement after the close of each month concurrently with the Factor's sending of such statement to the Company. The Collateral Agent hereby acknowledges any such monthly statement and any of the information contained therein are generated and created by the Factor solely for the Factor's own use, and the Factor makes no representation or warranty whatsoever as to the accuracy of any such information. To the extent that the Collateral Agent relies on any such information contained in any such monthly statement, the Collateral Agent does so at its own risk.

5. The Company hereby irrevocably authorizes and empowers the Collateral Agent, from and after the giving of a Notice to the Factor, to ask, demand, receive, receipt and give acquittance for any and all such monies hereby assigned, to endorse any checks or other orders for the payment of monies payable to the Company in payment thereof and in its settlements and compromises and grant releases and otherwise take such other action in its own name or in the name of the Company, or otherwise, which the Collateral Agent may deem necessary or advisable in the premises. The Company agrees that it will, at the request of the Collateral Agent, make, do and execute any such further acts, agreements, assurances and other documents

or instruments as shall be reasonably required to enable the Collateral Agent to collect all monies due or to become due and payable to the Company under the Factoring Agreement, according to the intent and purpose of this Agreement. The Company further agrees that the rights granted herein to the Collateral Agent by the Company are in addition to the rights that are otherwise available to the Collateral Agent and that this Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of the Collateral Agent and any collateral agent succeeding to the Collateral Agent's rights under the Credit Agreement.

6. Any provision in this Agreement to the contrary notwithstanding, any and all liens and security interest which the Collateral Agent now has or may hereafter claim in and to any of the Factored Receivables (as hereinafter defined) of the Company shall be and remain subordinate in priority to any liens and security interest which the Factor now has or may hereafter claim in and to any of the Factored Receivables. For the purposes of this Agreement, the term "Factored Receivables" shall mean the following property of the Company sold to and purchased by the Factor in accordance with the terms of the Factoring Agreement:

[ALL PRESENT AND FUTURE ACCOUNTS RECEIVABLE OF THE COMPANY ARISING FROM ITS SALES OF INVENTORY OR PERFORMANCE OF SERVICES (INCLUDING THOSE UNDER ANY TRADE NAMES, THROUGH ANY DIVISIONS AND THROUGH ANY SELLING AGENT), SOLD BY THE COMPANY UNDER THE FACTORING AGREEMENT, AND ALL RELATED INSTRUMENTS, DOCUMENTS, CHATTEL PAPER, CONTRACT RIGHTS (INCLUDING RESCISSION, REPOSSESSION, RECLAMATION AND STOPPAGE IN

TRANSIT), THE MERCHANDISE REPRESENTED THEREBY (INCLUDING ALL RETURNED OR REPOSSESSED GOODS), RESERVES ARISING UNDER THE FACTORING AGREEMENT, AND ALL CASH AND NONCASH PROCEEDS OF THE FOREGOING AND BOOKS AND RECORDS EVIDENCING OR PERTAINING TO THE FOREGOING.] [REVISE AS APPROPRIATE.]

The Collateral Agent agrees that its subordination hereunder shall survive termination of this Assignment Agreement, and shall remain in full force and effect until all obligations of the Company to the Factor under the Factoring Agreement have been satisfied in full. The Collateral Agent further agrees that until all obligations of the Company to the Factor under the Factoring Agreement have been satisfied in full, the Collateral Agent will not enforce its security interest in any of the Factored Receivables, and the Collateral Agent will not attach, levy upon, execute against, exercise any rights, assert any claim or interest, take any action or institute any proceeding with respect thereto.

7. This Agreement shall continue in effect until the earlier to occur of (i) the termination of the Factoring Agreement, and (ii) the indefeasible payment of the Obligations and the expiration and termination of any and all commitments or obligations of the Lenders to the Company, but any such termination shall not affect the assignment to the Collateral Agent or the Collateral Agent's right to receive monies due or to become due under the Factoring Agreement and this Agreement until all obligations of the Company to the Collateral Agent created prior to such termination are paid in full, subject to the Factor's rights under the Factoring Agreement and this Agreement.

8. All notices required or permitted hereunder shall be in writing and shall be sent by certified mail, return receipt requested, addressed to the party to be notified as follows:

(a) If to the Company:

Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328

(b) If to Collateral Agent:

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
30th Floor
Atlanta, Georgia 30303

(c) If to Factor:

THE CIT GROUP/COMMERCIAL SERVICES, INC.
Two First Union Center
301 South Tryon Street
Charlotte, North Carolina 28202
Attention: Regional Manager
Fax No.: (704) 339-2247

9. No agreement shall be effective to change, modify or discharge, in whole or in part, this Assignment Agreement unless such agreement is in writing and signed by the Collateral Agent, the Factor and the Company. This Assignment Agreement shall bind and benefit the parties hereto and their respective successors and assigns, except that the Company may not assign any of its rights under this Assignment Agreement without the prior written consent of the Factor and the Collateral Agent. Other than the Lenders, there are no third party beneficiaries to this Assignment Agreement.

10. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date first above written.

CROWN CRAFTS, INC., as the Company

By:

Title:

HAMCO, INC., as the Company

By:

Title:

CROWN CRAFTS INFANT PRODUCTS, INC.,
as the Company

By:

Title:

THE CIT GROUP/COMMERCIAL SERVICES, INC.,
as the Factor

By:

Title:

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

EXHIBIT A

[COPY OF FACTORING AGREEMENT]

EXHIBIT T

FOREIGN STOCK PLEDGE AGREEMENT

THIS FOREIGN STOCK PLEDGE AGREEMENT (this "Agreement") dated as of July 23, 2001 by and among CROWN CRAFTS, INC., a Georgia corporation (the "Company"), and any Domestic Subsidiary of the Company which becomes a Pledgor Subsidiary pursuant to Section 24 hereof and Section 5.15 (each a "Pledgor Subsidiary) of the Credit Agreement referred to below; the Company and the Pledgor Subsidiaries being collectively referred to as the "Pledgors" and individually as a "Pledgor") and WACHOVIA BANK, N.A., a national banking association (in its individual capacity, "Wachovia") organized under the laws of the United States of America, as collateral agent (in such capacity, together with its successors and assigns, the "Collateral Agent") for itself, and for Lenders from time to time under the Credit Agreement.

WITNESSETH:

WHEREAS, the Company, Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc (collectively, with the Company, the "Borrowers"), the Lenders, and Wachovia, as Agent, have entered into that certain Credit Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Credit Agreement"; capitalized terms used herein without definition have the meanings set forth in the Credit Agreement), pursuant to which the Lenders have agreed, subject to the terms thereof, to make available to the Borrowers certain financial accommodations.

WHEREAS, the Borrowers, the Lenders, the holders of the Senior Subordinated Notes, and Wachovia, as Agent, and the Collateral Agent, are parties to that certain Intercreditor Agreement dated of even date herewith;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. The Pledge. Each of the Pledgors hereby pledges, hypothecates, assigns, transfers, sets over and delivers unto the Collateral Agent, and grants to the Collateral Agent, for the ratable benefit of the Lenders, a security interest in all of each Pledgor's right, title and interest in, to and under the following (collectively, the "Pledged Collateral"): (a) all of the shares of common stock, equity interests and other securities (collectively, "Securities") of the respective Direct Foreign Subsidiaries held by such Pledgor as set forth on Exhibit A attached hereto (collectively, the "Issuers"); provided, however, that the Securities pledged pursuant hereto shall not include (i) Securities owned by any of the Pledgors in excess of Securities evidencing 65% of the voting power of each class of capital stock owned by such Pledgor or (ii) to the extent that applicable law requires that the applicable Issuer issue directors' qualifying shares, such qualifying shares; (b) subject to the provisions of Section 5(b) hereof, any additional Securities of any of the Issuers as may from time to time be issued to the respective Pledgor or otherwise acquired by such Pledgor; (c) any additional Securities of the Issuer as may hereafter at any time be delivered to the Collateral Agent by or on behalf of the Pledgor; (d) any cash or additional Securities or other property at any time and from time to time receivable or

otherwise distributable in respect of, in exchange for, or in substitution of, any of the property referred to in any of the immediately preceding clauses (a) through (c); and (e) any and all products and proceeds of any of the foregoing, together with all other rights, titles, interests, powers, privileges and preferences pertaining to said property.

Section 2. Obligations Secured. This Agreement is made, and the security interest created hereby is granted to the Collateral Agent, to secure the prompt performance and payment in full of the Obligations.

Section 3. Representations and Warranties. Each of the Pledgors, jointly and severally, hereby represents and warrants to the Collateral Agent as follows:

(a) Validly Issued, etc. All of the Securities of each Issuer have been validly issued and are fully paid and nonassessable.

(b) Title and Liens. Each Pledgor is, and, except as permitted by the Credit Agreement, will at all times continue to be, the legal and beneficial owner of the applicable Pledged Collateral and none of the Pledged Collateral is subject to any Lien (other than the Lien created by this Agreement and a junior Lien for the benefit of the holders of the Senior Subordinated Notes, as contemplated in the Credit Agreement).

(c) Name; Chief Executive Office; Taxpayer ID Number. The correct corporate name of each Pledgor, the state of organization, chief executive office and principal place of business of each Pledgor, the location of each Pledgor's books and records relating to the respective Pledged Collateral, and the Federal Identification number of each Pledgor is set forth on Exhibit B attached hereto. None of the Pledgors has any offices or places of business other than as set forth on Exhibit B.

(d) Authority, etc. Each of the Pledgors (i) has the power and authority to pledge the Pledged Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement), however arising, of all persons.

(e) No Approval. No consent or approval of any Governmental Authority or any securities exchange was or is _____necessary to the validity of the pledges effected hereby.

(f) Outstanding Shares. The Securities pledged by each of the Pledgors hereunder constitute 65% of the issued and outstanding Shares of the respective Direct Foreign Subsidiary owned by each of the Pledgors.

Section 4. Covenants. Each of the Pledgors hereby unconditionally covenants and agrees as follows:

(a) No Liens; No Sale of Pledged Collateral. None of the Pledgors will create, assume, incur or permit or suffer to exist or to be created, assumed or incurred, any Lien on any of the Securities (other than the Lien created by this Agreement and a junior Lien for the benefit of the holders of the Senior Subordinated Notes, as contemplated in the Credit Agreement), and will not, except as otherwise permitted by the Credit Agreement, without the prior written

consent of the Collateral Agent (which consent shall not be unreasonably withheld), sell, lease, assign, transfer or otherwise dispose of all or any portion of the Securities (or any interest therein).

(b) Change of Locations, Name, Etc. Without giving the Collateral Agent 30 days prior written notice, none of the Pledgors will (i) change such Pledgor's chief executive office, principal place of business, or the location of its books and records relating to any of the Pledged Collateral or (ii) change such Pledgor's name, identity or structure.

Section 5. Additional Shares.

(a) During the period this Agreement is in effect, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to issue any additional shares of capital stock or other equity securities or interests, unless such additional shares have been delivered and pledged to the Collateral Agent. Further, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to amend or modify its respective articles or certificate of incorporation (or other analogous organizational document) in a manner which would materially adversely affect the voting, liquidation, preference or other rights of a holder of the Pledged Collateral.

(b) Each of the Pledgors agrees that, until this Agreement has terminated in accordance with its terms, any additional Securities of any of the

Issuers at any time issued to any of the Pledgors or otherwise acquired by any of the Pledgors shall be promptly delivered or otherwise transferred to the Collateral Agent as additional Pledged Collateral and shall be subject to the Lien of, and the terms and conditions of, this Agreement; provided that if compliance with this Section 5(b) would result in more than 65% of the voting power of any class of such capital stock of an Issuer being included in the Pledged Collateral, the Pledgor shall pledge only such portion of such capital stock as shall result in 65% of the voting power of such class of capital stock owned by the Pledgor being included in the Pledged Collateral.

Section 6. Registration in Nominee Name, Denominations. The Collateral Agent shall have the right (in its sole and absolute discretion) to hold the Pledged Collateral in its own name as pledgee, the name of its nominee (as Collateral Agent or as sub-agent) or the name of the applicable Pledgor, endorsed or assigned in blank pursuant to a separate blank stock power or in favor of the Collateral Agent or (where applicable) registered in the name of the Collateral Agent in the relevant stock registry. Each of the Pledgors will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Collateral registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Collateral for certificates of smaller or larger numbers of shares for any purpose consistent with this Agreement.

Section 7. Voting Rights; Dividends, etc.

(a) So long as no Event of Default shall have occurred and be continuing, with respect to any Securities:

(i) each of the Pledgors shall be entitled to exercise any and all voting and/or consensual rights and powers accruing to an owner of the Pledged Collateral or any part

thereof for any purpose not inconsistent with the terms and conditions of this Agreement or any agreement giving rise to or otherwise relating to any of the Obligations; provided, however, that none of the Pledgors shall exercise, or refrain from exercising, any such right or power if any such action would have a materially adverse effect on the value of such Pledged Collateral in the reasonable judgment of the Collateral Agent;

(ii) each of the Pledgors shall be entitled to retain and use any and all cash dividends, interest and principal paid on the Pledged Collateral, but any and all stock and/or liquidating dividends, other distributions in property, return of capital or other distributions made on or in respect of Pledged Collateral, whether resulting from a subdivision, combination or reclassification of outstanding Securities of any of the Issuers which are pledged hereunder or received in exchange for the respective Pledged Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets or on the liquidation, whether voluntary or involuntary, of any of the Issuers, or otherwise, shall be and become part of the Pledged Collateral pledged hereunder and, if received by any of the Pledgors, shall forthwith be delivered to the Collateral Agent to be held as collateral subject to the terms and conditions of this Agreement.

(b) The Collateral Agent agrees to execute and deliver to each of the Pledgors, or cause to be executed and delivered to each of the Pledgors, as appropriate, at the sole cost and expense of such Pledgor, all such proxies, powers of attorney, dividend orders and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to clause (a)(i) above and/or to receive the dividends which such Pledgor is authorized to retain pursuant to subsection (a)(ii) above.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of each the Pledgors to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to subsection (a)(i) above and/or to receive the dividends, interest and

principal that such Pledgor is authorized to receive and retain pursuant to subsection (a)(ii) above shall cease, and all such rights thereupon shall become immediately vested in the Collateral Agent, which shall have, to the extent permitted by law, the sole and exclusive right and authority (acting at the direction of the Required Lenders) to exercise such voting and/or consensual rights and powers which each of the Pledgors shall otherwise be entitled to exercise pursuant to subsection (a)(ii) above and/or to receive and retain the dividends which each of the Pledgors shall otherwise be authorized to retain pursuant to subsection (b) above. Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this subsection (c) shall be retained by the Collateral Agent as additional collateral hereunder and shall be applied in accordance with the provisions of Section 10. If any of the Pledgors shall receive any dividends or other property which it is not entitled to receive under this Section, such Pledgor shall hold the same in trust for the Collateral Agent, without commingling the same with other funds or property of or held by such Pledgor, and shall promptly deliver the same to the Collateral Agent upon receipt by such Pledgor in the identical form received, together with any necessary endorsements.

Section 8. Event of Default Defined. For purposes of this Agreement, "Event of Default" shall mean:

(a) any of the Pledgors shall fail to observe or perform any covenant or agreement contained in Sections 4(a), 5, or 7(a)(ii) hereof;

(b) any of Pledgors shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by the immediately preceding subsection (a)) for a period of 30 days after written notice thereof has been given to such Pledgor by the Collateral Agent; and

(c) an Event of Default under and as defined in the Credit Agreement shall occur and be continuing.

Section 9. Remedies upon Default.

(a) In addition to any right or remedy that the Collateral Agent may have under the Credit Agreement, the other Credit Documents or otherwise under applicable law, if an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise any and all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction (the "Code") and may otherwise sell, assign, transfer, endorse and deliver the whole or, from time to time, any part of the Pledged Collateral at a public or private sale or on any securities exchange, for cash, on credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as the Collateral Agent (acting at the direction of the Required Lenders, in their sole discretion) shall deem appropriate. As further provided for in Section 14 hereof, the Collateral Agent shall be authorized at any sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Pledged Collateral for their own account in compliance with the Securities Laws (as such term is defined in Section 14 below) and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer, endorse and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each purchaser at any sale of Pledged Collateral shall take and hold the property sold absolutely free from any claim or right on the part of any of the Pledgors, and each of the Pledgors hereby waives (to the fullest extent permitted by applicable law) all rights of redemption, stay and/or appraisal which any of the Pledgors now has or may at any time in the future have under any applicable law now existing or hereafter enacted. Each of the Pledgors agrees that, to the extent notice of sale shall be required by applicable law, at least ten days' prior written notice to the applicable Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification, but notice given in any other reasonable manner or at any other reasonable time shall constitute reasonable notification. Such notice, in case of public sale, shall state the time and place for such sale, and, in the case of sale on a securities exchange, shall state the exchange on which such sale is to be made and the day on which the respective Pledged Collateral, or portion thereof, will first be offered for sale at such exchange. Any such public sale shall be held

at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and shall state in the notice or publication (if any) of such sale. At any such sale, the applicable Pledged Collateral, or portion thereof to be sold, may be sold in one lot as an entirety or in separate parcels, as the Collateral

Agent may determine (acting at the direction of the Required Lenders, in their sole and absolute discretion). The Collateral Agent shall not be obligated to make any sale of any of the Pledged Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Pledged Collateral may have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case the sale of all or any part of the Pledged Collateral is made on credit or for future delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability to any of the Pledgors in case any such purchaser or purchasers shall fail to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may be sold again upon like notice. At any public sale made pursuant to this Agreement, the Collateral Agent or any Secured Party (in accordance with Section 2.10(e) of the Credit Agreement), to the extent permitted by applicable law, may bid for or purchase, free from any right of redemption, stay and/or appraisal on the part of any of the Pledgors (all said rights being also hereby waived and released to the extent permitted by applicable law), any part of or all the Pledged Collateral offered for sale and may make payment on account thereof by using any claim then due and payable to the Collateral Agent from any of the Pledgors as a credit against the purchase price, and the Collateral Agent may, upon compliance with the terms of sale and to the extent permitted by applicable law, hold, retain and dispose of such property without further accountability to any of the Pledgors therefor. For purposes hereof, a written agreement to purchase all or any part of the Pledged Collateral shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and none of the Pledgors shall be entitled to the return of any Pledged Collateral subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default may have been remedied or the Obligations may have been paid in full as herein provided. Each of the Pledgors hereby waives any right to require any marshaling of assets and any similar right.

(b) In addition to exercising the power of sale herein conferred upon it, the Collateral Agent shall also have the option to proceed by suit or suits at law or in equity to foreclose this Agreement and sell the Pledged Collateral or any portion thereof pursuant to judgment or decree of a court or courts having competent jurisdiction.

(c) In addition to the foregoing, the Collateral Agent shall have all other rights, powers and remedies which are available to it under any applicable laws.

(d) The rights and remedies of the Collateral Agent under this Agreement are cumulative and not exclusive of any rights or remedies which it would otherwise have.

Section 10. Application of Proceeds of Sale and Cash. Each of the Pledgors agrees to pay to the Collateral Agent all Enforcement Costs (as defined below) paid or incurred by the Collateral Agent. This agreement in this Section 10 shall survive the termination of this Agreement and the Lien on the Pledged Collateral. All Enforcement Costs, together with interest thereon from the date of any demand therefor until paid in full at a per annum rate of interest equal at all times to the Default Rate, shall be paid by the Company to the Collateral Agent whenever demanded by the Collateral Agent.

Any proceeds of the collection of the sale or other disposition of the Collateral will be applied by the Collateral Agent in accordance with the terms of Section 2.11(e) of the Credit Agreement, subject to the Intercreditor Agreement. If the sale or other disposition of the Collateral fails to satisfy all of the Obligations, the Debtors shall remain liable to the Collateral Agent and the Lenders for any deficiency. Subject to the terms of the Intercreditor Agreement, any surplus from the sale or disposition of the Pledged Collateral shall be paid to the respective Debtor or to any other party entitled thereto or shall otherwise be paid over in a manner permitted by law after payment in full of all Obligations and the Enforcement Costs related to any such payment.

As used herein, the term "Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, reasonable attorneys' fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Collateral Agent in connection with (a) the collection or enforcement of any or all of the Obligations or this Agreement (including, without limitation, reasonable attorneys fees incurred prior to the institution of any suit or other proceeding), (b) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Collateral, (c) the monitoring, inspection, administration, processing, servicing of any or all of the Obligations and/or the Collateral, (d) the preparation of this Agreement, the Security Documents, and the preparation and review of lien and record searches, reports, certificates, and/or other documents or information relating from time to time to the taking, perfection, inspection, preservation, protection and/or release of a Lien on the Collateral, the value of the Collateral, or otherwise relating to the Collateral Agent's or any Secured Party's rights, powers and remedies under this Agreement or with respect to the Collateral, and (e) all filing and/or recording taxes or fees and all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, the Pledgors hereby agreeing jointly and severally to indemnify and save the Collateral Agent and the Lenders harmless from and against such liabilities

Section 11. Collateral Agent Appointed Attorney-in-Fact. From and after the occurrence and during the existence of an Event of Default, each of the Pledgors hereby constitutes and appoints the Collateral Agent as the attorney-in-fact of each Pledgor with full power of substitution either in the Collateral Agent's name or in the name of each of the Pledgors to do any of the following with respect to any Securities and the related Pledged Collateral: (a) to perform any obligation of any of the Pledgors hereunder in such Pledgor's name or otherwise; (b) to ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all moneys due or to become due under and by virtue of any Pledged Collateral; (c) to prepare, execute, file, record or deliver notices, assignments, financing statements, continuation statements, applications for registration or like papers to perfect, preserve or release the Collateral Agent's security interest in the Pledged Collateral or any of the documents, instruments, certificates and agreements described in Section 13(b); (d) to verify facts concerning the Pledged Collateral in its own name or a fictitious name; (e) to endorse checks, drafts, orders and other instruments for the payment of money payable to any of the Pledgors, representing any interest or dividend or other distribution payable in respect of the Pledged Collateral or any part thereof or on account thereof and to give full discharge for the same; (f) to exercise all rights, powers and remedies which any of the Pledgors would have, but for this

Agreement, under the Pledged Collateral; and (g) to carry out the provisions of this Agreement and to take any action and execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, and to do all acts and things and execute all documents in the name of each of the Pledgors or otherwise, deemed by the Collateral Agent as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. Nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or notice, or to take any action with respect to the Pledged Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the

Collateral Agent or omitted to be taken with respect to the Pledged Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of the Pledgor or to any claim or action against the Collateral Agent. The power of attorney granted herein is irrevocable and coupled with an interest.

Section 12. Reimbursement of Collateral Agent. Each of the Pledgors agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or any sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure by any of the Pledgors to perform or observe any of the provisions hereof. Any such amounts payable as provided hereunder shall be additional obligations secured hereby and by the other Security Documents.

Section 13. Further Assurances. Each of the Pledgors shall, at its sole cost and expense, take all action that may be necessary or desirable in the Collateral Agent's sole discretion or at the request of the Required Lenders, so as at all times to maintain the validity, perfection, enforceability and priority of the Collateral Agent's security interest in the Pledged Collateral, or to enable the Collateral Agent to exercise or enforce its rights hereunder, including without limitation (a) delivering to the Collateral Agent, endorsed or accompanied by such instruments of assignment as the Collateral Agent may specify, any and all chattel paper, instruments, letters of credit and all other undertakings of guaranty and documents evidencing or forming a part of the Pledged Collateral and (b) executing and delivering financing statements, pledges, designations, notices and assignments, in each case in form and substance satisfactory to the Collateral Agent, relating to the creation, validity, perfection, priority or continuation of the security interest granted hereunder. Subject to the foregoing, each of the Pledgors agrees to take, and authorizes the Collateral Agent to take on such Pledgor's behalf, any or all of the following actions with respect to any Pledged Collateral as the Collateral Agent shall deem necessary to perfect the security interest and pledge created hereby or to enable the Collateral Agent to enforce its rights and remedies hereunder: (i) to register in the name of the Collateral Agent any Pledged Collateral in certificated or uncertificated form; (ii) to endorse in the name of the Collateral Agent any Pledged Collateral issued in certificated form; and (iii) by book entry or otherwise, identify as belonging to the Collateral Agent a quantity of securities that constitutes all or part of the Pledged Collateral registered in the name of the Collateral Agent. Notwithstanding the foregoing each of the Pledgors agrees that Pledged Collateral which is not in certificated form or is otherwise in book-entry form shall be held for the account of the

Collateral Agent. Each of the Pledgors hereby authorizes the Collateral Agent to execute and file in all necessary and appropriate jurisdictions (as determined by the Collateral Agent) one or more financing or continuation statements (or any other document or instrument referred to in the immediately preceding clause (b)) in the name of the applicable Pledgor and to sign such Pledgor's name thereto. Each of the Pledgors authorizes the Collateral Agent to file any such financing statement, document or instrument without the signature of such Pledgor to the extent permitted by applicable law. To the extent permitted by applicable law, a carbon, photographic, xerographic or other reproduction of this Agreement or any financing statement is sufficient as a financing statement. Any property comprising part of the Pledged Collateral required to be delivered to the Collateral Agent pursuant to this Agreement shall be accompanied by proper instruments of assignment duly executed by each of the Pledgors and by such other instruments or documents as the Collateral Agent may reasonably request.

Section 14. Securities Laws. In view of the position of the Pledgors in relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar applicable law hereafter enacted analogous in purpose or effect, whether foreign or domestic (such Act and any such similar applicable law as from time to time in effect being called the "Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder. Each of the Pledgors understands that compliance with the Securities Laws might very strictly limit the course of conduct of the

Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral in accordance with the terms hereof, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral in accordance with the terms hereof under applicable Blue Sky or other state securities laws or similar applicable law analogous in purpose or effect. The Pledgor recognizes that in light of the foregoing restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment, and not with a view to the distribution or resale thereof. Each of the Pledgors acknowledges and agrees that in light of the foregoing restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, may, in accordance with applicable law, (a) proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws and (b) approach and negotiate with a single potential purchaser to effect such sale. Each of the Pledgors acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Collateral in accordance with the terms hereof at a price that the Collateral Agent(acting at the direction of the Required Lenders, in their sole and absolute discretion), may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

Section 15. Indemnification. Each of the Pledgors agrees to indemnify and hold the Collateral Agent and any corporation controlling, controlled by, or under common control with, the Collateral Agent and any officer, attorney, director, shareholder, agent or employee of the Collateral Agent or any such corporation (each an "Indemnified Person"), harmless from and against any claim, loss, damage, action, cause of action, liability, cost and expense or suit of any kind or nature whatsoever (collectively, "Losses"), brought against or incurred by an Indemnified Person, in any manner arising out of or, directly or indirectly, related to or connected with this Agreement, including without limitation, the exercise by the Collateral Agent of any of its rights and remedies under this Agreement or any other action taken by the Collateral Agent pursuant to the terms of this Agreement; provided, however, the Pledgor shall not be liable to an Indemnified Person for any Losses to the extent that such Losses result from the gross negligence or willful misconduct of such Indemnified Person. The Pledgor's obligations under this section shall survive the termination of this Agreement and the payment in full of the Obligations.

Section 16. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall remain in full force and effect until it terminates in accordance with its terms. Each of the Pledgors and the Collateral Agent hereby agree that the security interest created by this Agreement in the Pledged Collateral shall not terminate and shall continue and remain in full force and effect notwithstanding the transfer to any of the Pledgors or any person designated by it of all or any portion of the Pledged Collateral.

Section 17. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Credit Document, the Intercreditor Agreement, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of the payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Credit Document, the Intercreditor

Agreement, or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations, including, without limitation, the release of any one or more Pledgors or other Persons from this Agreement or any other agreement securing the payment and performance of the Obligations or other indebtedness of the Pledgors or of any other Person to the Lenders, the Agent, the Collateral Agent, or the holders of the Senior Subordinated Notes, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any of the Pledgors in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

Section 18. No Waiver. Neither the failure on the part of the Collateral Agent to exercise, nor the delay on its part in exercising any right, power or remedy hereunder, nor any course of dealing between the Collateral Agent and any of the Pledgors shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy hereunder preclude any other or the further exercise thereof or the exercise of any other right, power or remedy.

Section 19. Notices. Notices, requests and other communications required or permitted hereunder shall be given in accordance with the applicable terms of the Credit Agreement.

Section 20. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 21. Amendments. No amendment or waiver of any provision of this Agreement nor consent to any departure by any of the Pledgors herefrom shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 22. Binding Agreement; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that none of the Pledgors shall be permitted to assign this Agreement or any interest herein or in the Pledged Collateral, or any part thereof, or any cash or property held by the Collateral Agent as collateral under this Agreement.

Section 23. Termination. Upon indefeasible payment in full of all of the Bank Obligations, and termination of all Commitments under the Credit Agreement, this Agreement shall terminate. Upon termination of this Agreement in accordance with its terms the Collateral Agent agrees to take such actions as the Company may reasonably request, and at the sole cost and expense of the Company, (a) to return the Pledged Collateral to the applicable Pledgor, and (b) to evidence the termination of this Agreement, including, without limitation, the filing of any releases or any termination statements under the Uniform Commercial Code.

Section 24. Joint and Several Liability; Additional Pledgors; Release of Pledgors. The obligations and liabilities of the Pledgors from time to time party to this Agreement shall be joint and several. Section 5.22 of the Credit Agreement provides that Domestic Subsidiaries which own or acquire a Significant Direct Foreign Subsidiary and which are not Pledgors must become Pledgors by, among other things, executing and delivering to the Agent a counterpart to this Agreement. Any Domestic Subsidiary which executes and delivers to the Agent a counterpart of this Agreement shall be a Pledgor for all purposes hereunder and shall thereafter be jointly and severally liable with all other Pledgors then party to this Agreement or thereafter joined hereto.

Section 25. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of

this Agreement.

Section 26. Headings. Section headings used herein are for convenience only and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

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Section 27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute but one agreement.

[Signatures on Next Page]

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IN WITNESS WHEREOF, each of the Pledgors has executed and delivered this Agreement under seal as of the date first written above.

CROWN CRAFTS, INC. (SEAL)

By:

Name:
Title:

Agreed to, accepted and acknowledged
as of the date first written above.

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

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EXHIBIT A

PLEDGED COLLATERAL

PLEDGOR: CROWN CRAFTS, INC.

<TABLE>
<CAPTION>

Name of Subsidiary	Class of Stock	No. of Shares Authorized	No. of Shares Issued	No. of Shares Outstanding	No. of Shares Pledged	Certificate Nos. for Pledged Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Burgundy Interamericana, S.A. de C.V.	Common	50,000	50,000	50,000	49,999	1, 2, 3 and 4

</TABLE>

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EXHIBIT B

PLEDGORS

Crown Crafts, Inc., a Georgia corporation
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Federal Tax I.D. # 58-0678148

EXHIBIT 10.9

MORTGAGE, SECURITY AGREEMENT AND
FIXTURE FINANCING STATEMENT

THIS INSTRUMENT (this "Instrument") is made and entered into this ____ day of September, 1999, by and between CHURCHILL WEAVERS, INC., a Kentucky corporation, having a mailing address of 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328 ("Obligor"), and WACHOVIA BANK, N.A. ("Wachovia"), having a mailing address of 191 Peachtree Street, 30th Floor, Atlanta, Fulton County, Georgia 30303, as agent (together with its successors and assigns, "Collateral Agent"), for itself, Bank of America, N.A. ("Bank of America"), having a mailing address of Independence Center, 15th Floor, NCI 001-15-04, Charlotte, Mecklenburg County, North Carolina 28255, and The Prudential Insurance Company of America ("Prudential"), having a mailing address of Prudential Capital Group, Two Ravinia Drive, Suite 1400, Atlanta, Fulton County, Georgia 30346 (collectively, "Lenders"), in connection with that certain Intercreditor Agreement by and among Crown Crafts, Inc., a Georgia corporation ("Crown Crafts"), Collateral Agent and Lenders dated August 9, 1999 (as amended or otherwise modified from time to time, the "Intercreditor Agreement").

WITNESSETH:

That for and in consideration of and as security for the debt hereinafter described, and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the indebtedness and other obligations of Obligor hereinafter set forth, Obligor does hereby irrevocably grant, bargain, sell, convey, assign, transfer and set over unto Collateral Agent, for the ratable benefit of Lenders and their successors and assigns, all of the following described land and interests in land, estates, easements, rights, improvements, property, fixtures, equipment, furniture, furnishings, appliances and appurtenances (collectively, the "Property"):

(a) All those tracts or parcels of land and easements more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (the "Land").

(b) All buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and all gas and electric fixtures, radiators, heaters, engines and machinery, boilers, ranges, elevators and motors, plumbing and heating fixtures, carpeting and other floor coverings, fire extinguishers and any other safety equipment required by governmental regulation or law, washers, dryers, water heaters, mirrors, mantels, air conditioning apparatus, refrigerating plants, refrigerators, cooking apparatus and appurtenances, window screens, awnings and storm sashes, which are or shall be owned by Obligor and attached to said buildings, structures or improvements and all other furnishings, furniture, fixtures, machinery, equipment, appliances, vehicles, building supplies and materials, books and records, chattels, inventory, accounts, farm products, consumer goods, general intangibles and personal

property of every kind and nature whatsoever now or hereafter owned by Obligor and located in, on or about, or used or intended to be used with or in connection with the use, operation or enjoyment of the Property, including all extensions, additions, improvements, betterments, after-acquired property, renewals, replacements and substitutions, or proceeds from a permitted sale of any of the foregoing, and all the right, title and interest of Obligor in any such furnishings, furniture, fixtures, machinery, equipment, appliances, vehicles and personal property subject to or covered by any prior security agreement, conditional sales contract, chattel mortgage or similar lien or claim, together with the benefit of any deposits or payments now or hereafter made by Obligor or on behalf of Obligor, all of which are hereby declared and shall be deemed to be fixtures and accessions to the Land and a part of the Property as between the parties hereto and all persons claiming by, through or under them, and which shall be deemed to be a portion of the security for the indebtedness herein described and to be secured by this Instrument.

(c) All easements, rights-of-way, strips and gores of land,

vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, minerals, flowers, shrubs, crops, trees, timber and other emblements now or hereafter located on the Land or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances, reversion and reversions, remainder and remainders, whatsoever, in any way belonging, relating or appertaining to the Land or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Obligor.

(d) All income, rents, issues, profits and revenues of the Property from time to time accruing (including, without limitation, all payments under leases or tenancies, proceeds of insurance, condemnation payments, tenant security deposits whether held by Obligor or in a trust account, and escrow funds), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of Obligor of, in and to the same; reserving only the right to Obligor to collect the same (other than insurance proceeds and condemnation payments) so long as Obligor is not in default hereunder.

(e) All other "Collateral" (as defined in that certain Security Agreement (as amended or otherwise modified from time to time, the "Security Agreement") executed by Crown Crafts in favor of the Collateral Agent for the ratable benefit of Lenders dated August 9, 1999.

TO HAVE AND TO HOLD the Property and all parts, rights, members and appurtenances thereof, to the use, benefit and behoof of Collateral Agent for the ratable benefit of Lenders and their successors and assigns, IN FEE SIMPLE forever; and Obligor covenants that Obligor is lawfully seized and possessed of the Property as aforesaid, and has good right to convey the same, that the same is unencumbered except for those matters expressly set forth in Exhibit "B" attached hereto and by this reference made a part hereof, and that Obligor does warrant and will forever defend the title thereto against the claims of all persons whomsoever, except as to those matters set forth in said Exhibit "B" attached hereto.

This Instrument is given to secure the following described indebtedness (collectively, the "Indebtedness"):

(a) Obligor's full guaranty pursuant to those certain Facility Guaranties to each Lender, each dated as of August 9, 1999, and maturing on or about October 12, 2010 (collectively, the "Guaranty") of the debt and interest thereon of Crown Crafts evidenced by (i) those certain promissory notes (the "Wachovia Notes") dated August 9, 1999, made by Crown Crafts, payable to the order of Wachovia Bank, N.A., in the aggregate principal face amount of up to Sixty Million and No/100 Dollars ($60,000,000), described as follows: (1) that certain $15,000,000 Revolving A Note due on or before April 3, 2000, (2) that certain $30,000,000 Revolving B Note due on or before January 15, 2000, and (3) that certain $15,000,000 Term Note due on or before January 15, 2000; (ii) those certain promissory notes (the "Bank of America Notes") dated August 9, 1999, made by Crown Crafts, payable to the order of Bank of America, in the aggregate principal face amount of up to Twenty-Five Million and No/100 Dollars ($25,000,000), described as follows: (1) that certain $15,000,000 Revolving A Note due on or before April 3, 2000, and (2) that certain $10,000,000 Revolving B Note due on or before January 15, 2000; and (iii) those certain promissory notes (the "Prudential Notes") dated August 9, 1999, made by Crown Crafts, payable to the order of Prudential, in the aggregate principal face amount of up to Fifty Million and No/100 Dollars ($50,000,000), with the final payment being due on or before October 12, 2005. The Wachovia Notes, the Bank of America Notes and the Prudential Notes, as any of them may be amended or otherwise modified from time to time, are herein collectively referred to as the "Note".

(b) Obligor's full guaranty pursuant to the Guaranty of all other "Secured Obligations" (as defined in the Security Agreement).

(c) Any and all additional advances made by any Lender to protect or preserve the Property or the lien and security title hereof in and to the Property, or for taxes, assessments or insurance premiums as hereinafter

provided (whether or not the Obligor remains the owner of the Property at the time of such advances).

(d) Obligor's full guaranty pursuant to the Guaranty of any and all other indebtedness now or hereafter owing by Crown Crafts to any Lender, whether now existing or hereafter arising or incurred, however evidenced or incurred, whether express or implied, direct or indirect, absolute or contingent, due or to become due, and all renewals, modifications, consolidations, replacements and extensions thereof.

Should the Indebtedness secured by this Instrument be paid according to the tenor and effect thereof when the same shall become due and payable, and should Obligor perform all covenants herein contained in a timely manner, then this Instrument shall be cancelled and surrendered.

Obligor hereby further covenants and agrees with Collateral Agent as follows:

ARTICLE I

Section 1.01 Payment of Indebtedness. Obligor will pay the Indebtedness according to the tenor thereof and all other sums now or hereafter secured hereby promptly as the same shall become due.

Section 1.02 Condemnation. If all or any portion of the Property shall be damaged or taken through condemnation (which term when used in this Instrument shall include any damage or taking by any governmental authority or any transfer by private sale in lieu thereof), either temporarily or permanently, then if a Default or Event of Default is in existence, Collateral Agent shall be entitled to receive all compensation, awards and other payments or relief thereof, and Collateral Agent is hereby authorized, at its option, to commence, appear in and prosecute, in its own or in Obligor's name, any action or proceeding relating to any condemnation, and to settle or compromise any claim in connection therewith. All such compensation, awards, damages, claims, rights of action and proceeds and the right thereto are hereby assigned by Obligor to Collateral Agent. After deducting from said condemnation proceeds all of its expenses incurred in the collection and administration of such sums, including attorney's fees, Collateral Agent may apply the net proceeds or any part thereof, at its option, (a) to the payment of the Indebtedness hereby secured, whether or not due and in accordance with the terms of the Intercreditor Agreement, (b) to the repair and/or restoration of the Property or (c) for any other purposes or objects for which Collateral Agent is entitled to advance funds under this Instrument, all without affecting the lien of this Instrument; and any balance of such monies then remaining shall be paid to Obligor. Obligor agrees to execute such further assignment of any compensation, awards, damages, claims, rights of action and proceeds as Collateral Agent may require.

Section 1.03 Care, Use and Management of Property.

(a) Obligor will keep the buildings, roads and walkways, landscaping and all other improvements of any kind now or hereafter erected on the Land or any part thereof in good condition and repair, will not commit or suffer any waste and will not do or suffer to be done anything which will increase the risk of fire or other hazard to the Property or any part thereof.

(b) Obligor will not remove or demolish nor alter the structural character of any building located on the Land without the written consent of Collateral Agent.

(c) If the Property or any part thereof is damaged by fire or any other cause, Obligor will give immediate written notice thereof to Collateral Agent.

(d) Each Lender or its representative is hereby authorized to enter upon and inspect the Property at any time during normal business hours.

(e) Obligor will promptly comply with all present and future laws, ordinances, rules and regulations of any governmental authority affecting

the Property or any part thereof.

(f) If all or any part of the Property shall be damaged by fire or other casualty, Obligor will promptly restore the Property to the equivalent of its original condition; and if a part of the Property shall be damaged through condemnation, Obligor will promptly restore, repair or alter the remaining portions of the Property in a manner satisfactory to the Required Lenders (as defined in the Intercreditor Agreement). Notwithstanding the foregoing, Obligor shall not be obligated to so restore unless in each instance, Collateral Agent agrees to make available to Obligor (pursuant to a procedure satisfactory to Collateral Agent) any net insurance or condemnation proceeds actually received by Collateral Agent hereunder in connection with such

casualty loss or condemnation, to the extent such proceeds are required to defray the expense of such restoration; provided, however, that the insufficiency of any such insurance or condemnation proceeds to defray the entire expense of restoration shall in no way relieve Obligor of its obligation to restore. In the event all or any portion of the Property shall be damaged or destroyed by fire or other casualty or by condemnation, Obligor shall promptly deposit with Collateral Agent a sum equal to the amount by which the estimated cost of the restoration of the Property (as determined by Collateral Agent in its good faith judgment) exceeds the actual net insurance or condemnation proceeds received by Collateral Agent in connection with such damage or destruction.

Section 1.04 Leases and Other Agreements Affecting Property. Obligor will duly and punctually perform all terms, covenants, conditions and agreements binding upon it under any lease or any other agreement of any nature whatsoever which involves or affects the Property or any part thereof. Obligor will, at the request of Collateral Agent, furnish the Lenders with executed copies of all leases now or hereafter created upon the Property or any part thereof and all leases now or hereafter entered into will be in form and substance subject to the prior approval of Collateral Agent. Obligor will not, without the express written consent of the Required Lenders, modify, surrender or terminate, either orally or in writing, any lease now existing or hereafter created upon the Property or any part thereof, nor will Obligor permit an assignment or a subletting by any tenant without the prior express written consent of Collateral Agent. In order to further secure payment of the Indebtedness and the observance, performance and discharge of Obligor's obligations, Obligor hereby assigns, transfers and sets over under Collateral Agent all of Obligor's right, title and interest in, to and under all leases affecting the Property or any part thereof and in and to all of the rents, issues, profits, revenues, awards and other benefits now or hereafter arising from the use and enjoyment of the Property or any part thereof; reserving only the right to Obligor to collect the same so long as Obligor is not in default hereunder.

All such leases must be subordinate to the lien of this Instrument unless Collateral Agent otherwise specifies, in which case such specific leases shall be made superior to this Instrument. Collateral Agent shall be entitled to require that certain leases be made superior to this Instrument but that certain provisions of such superior leases be made subject to this Instrument. Collateral Agent shall also be entitled to require, and Obligor shall use its best efforts to obtain, the execution of non-disturbance and attornment agreements from any tenants specified by Collateral Agent. Any form lease hereafter used by Obligor shall be first submitted to and approved by Collateral Agent. Obligor hereby authorizes and directs each present and future tenant of the Property to pay to Collateral Agent all rents and any other sums due Obligor as landlord and to perform for the direct benefit of Collateral Agent any other obligations of such tenant to Obligor as landlord, as if Collateral Agent were the landlord under such tenant's lease, immediately upon receipt of a written demand by Collateral Agent to make such payment or perform such obligation during the existence of a Default or Event of Default. No such demand by Collateral Agent shall constitute or be deemed to constitute any assumption by Collateral Agent of any obligations of the landlord under such tenant's lease. Subject only to compliance by Collateral Agent with the provisions of Paragraph 2.01, no such demand by Collateral Agent shall constitute or be deemed to constitute any wrongful interference by Collateral

Agent in the affairs or business relationships for ascertaining whether any such demand by Collateral Agent is authorized or whether a default by Obligor has occurred under this Instrument. Obligor hereby

waives any right, claim or action Obligor may now or hereafter have against any such tenant by reason of such tenant's payment to or performance for Collateral Agent as described above, and any such payment to or performance for Collateral Agent shall discharge the obligation of such tenant to make such payment to, or perform such obligation for, Obligor.

Section 1.05 Security Agreement. Insofar as the machinery, apparatus, equipment, fittings, fixtures, building supplies and materials, and articles of personal property either referred to or described in this Instrument, or in any way connected with the use and enjoyment of the Property is concerned, this Instrument is hereby made and declared to be a security agreement, encumbering each and every item of personal property included herein, in compliance with the provisions of the Uniform Commercial Code as enacted in the state wherein the Land is situated. A financing statement or statements reciting this Instrument to be a security agreement, affecting all of said personal property aforementioned, shall be executed by Obligor and Collateral Agent and appropriately filed. The remedies for any violation of the covenants, terms and conditions of the security agreement herein contained shall be (i) as prescribed herein, or (ii) as prescribed by general law, or (iii) as prescribed by the specific statutory consequences now or hereafter enacted and specified in said Uniform Commercial Code, all at Collateral Agent's sole election. Obligor and Collateral Agent agree that the filing of such financing statement(s) in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing this declaration and hereby stated intention of Obligor and Collateral Agent that everything used in connection with the production of income from the Property and/or adapted for use therein and/or which is described or reflected in this Instrument, is, and at all times and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the real estate irrespective of whether (i) any such item is physically attached to the improvements, (ii) serial numbers are used for the better identification of certain items capable of being thus identified in a recital contained herein, or (iii) any such item is referred to or reflected in any such financing statement(s) so filed at any time. Similarly, the mention in any such financing statement(s) of the rights in and to (1) the proceeds of any fire and/or hazard insurance policy, or (2) any award in eminent domain proceedings for a taking or for loss of value, or (3) Obligor's interest as lessor in any present or future lease or rights to income growing out of the use and/or occupancy of the Property, whether pursuant to lease or otherwise, shall never be construed as in anyway altering any of the rights of Collateral Agent as determined by this Instrument or impugning the priority of Collateral Agent's lien granted hereby or by any other recorded document, but such mention in such financing statement(s) is declared to be for the protection of Collateral Agent in the event any court shall at any time hold with respect to the foregoing (1), (2) or (3), that notice of Collateral Agent's priority of interest to be effective against a particular class of persons, must be filed in the Uniform Commercial Code records.

Section 1.06 Further Assurances; After-Acquired Property. At any time, and from time to time, upon request by Collateral Agent, Obligor will make, execute and deliver or cause to be made, executed and delivered, to Collateral Agent and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be rerecorded and/or refiled at such time and in such offices and places as shall be deemed desirable by Collateral Agent, any and all such other and further deeds to secure debt, deeds of trust, security agreements, financing statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the opinion of Collateral Agent, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (a) the obligation of Obligor under the Note and

under this Instrument and (b) the lien of this Instrument as a first and prior lien upon and security title in and to all of the Property, whether now owned or hereafter acquired by Obligor. Upon any failure by Obligor so to do, Collateral Agent may make, execute, record, file, re-record and/or refile any and all such deeds to secure debt, deeds of trust, security agreements, financing statements, continuation statements, instruments, certificates, and documents for and in the name of Obligor and Obligor hereby irrevocably appoints Collateral Agent the agent and attorney-in-fact of Obligor so to do. The lien hereof will automatically attach, without further act, to all after acquired property attached to and/or used in the operation of the Property or any part thereof.

Section 1.07 Expenses. Obligor will pay or reimburse Collateral Agent, upon demand therefor, for all attorney's fees, costs and expenses incurred by Collateral Agent in any suit, action, legal proceeding or dispute of any kind in which Lenders or Collateral Agent is made a party or appears as party plaintiff or defendant, affecting or arising in connection with the Indebtedness secured hereby, this Instrument or the interest created herein, or the Property, including, but not limited to, the exercise of the power of sale contained in this Instrument, any condemnation action involving the Property or any action to protect the security hereof; and any such amounts paid by Lenders or Collateral Agent shall be added to the Indebtedness secured by the lien of this Instrument.

Section 1.08 Subrogation. Collateral Agent shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid with the proceeds of the Indebtedness secured hereby.

Section 1.09 Limit of Validity. If from any circumstances whatsoever fulfillment of any provision of this Instrument or of the Note, at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Instrument or under the Note that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity. The provisions of this Paragraph 1.09 shall control every other provision of this Instrument and of the Note.

Section 1.10 Use of Property. Obligor shall not be permitted to alter or change the use of the Property or to abandon the Property without the prior written consent of Collateral Agent.

Section 1.11 Conveyance of Property. Obligor hereby acknowledges to Collateral Agent that (a) the identity and expertise of Obligor was and continues to be a material circumstance upon which Collateral Agent has relied in connection with, and which constitute valuable consideration to Collateral Agent for, the extending to Obligor of the loan evidenced by the Note, and (b) any change in such identity or expertise could materially impair or jeopardize the security for the payment of the Note granted to Collateral Agent by this Instrument. Obligor therefore covenants and agrees with Collateral Agent, as part of the consideration for the extending to Obligor of the loan evidenced by the Note, that Obligor shall not convey, transfer, assign, further encumber or pledge any or all of its interest in the Property without the prior written consent of Collateral Agent.

ARTICLE 2

Section 2.01 Events of Default. The terms "Default", "Event of Default" or "Events of Default", wherever used in this Instrument, shall have the meaning provided for in the Intercreditor Agreement and shall include the failure of Borrower to perform any of its obligations under this Instrument; provided, however, immediately upon the occurrence of an Event of Default, and without regard to any time periods or opportunities to cure described in the Transaction Documents (as defined in the Intercreditor Agreement), Collateral Agent may make written demand upon any and all tenants of the Property to pay to Collateral Agent all rents and other sums and to perform for the direct benefit of Collateral Agent all obligations of such tenants, as provided in

Paragraph 1.04.

Section 2.02 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then the entire Indebtedness secured hereby shall, as permitted by the terms of the Transaction Documents, immediately become due and payable without notice or demand, time being of the essence of this Instrument.

Section 2.03 Right to Enter and Take Possession.

(a) If an Event of Default shall have occurred and be continuing, Obligor upon demand of Collateral Agent, shall forthwith surrender to Collateral Agent the actual possession of the Property and if, and to the extent, permitted by law, Collateral Agent itself, or by such officers or agents as it may appoint, may enter and take possession of all the Property without the appointment of a receiver, or an application therefor, and may exclude Obligor and its agents and employees wholly therefrom, and may have joint access with Obligor to the books, papers and accounts of Obligor.

(b) If Obligor shall for any reason fail to surrender or deliver the Property or any part thereof after such demand by Collateral Agent, Collateral Agent may obtain a judgment or decree conferring upon Collateral Agent the right to immediate possession or requiring Obligor to deliver immediate possession of the Property to Collateral Agent. Obligor will pay to Collateral Agent, upon demand, all expenses of obtaining such judgment or decree, including reasonable compensation to Collateral Agent, its attorneys and agents; and all such expenses and compensation shall, until paid, be secured by the lien of this Instrument.

(c) Upon every such entering upon or taking of possession, Collateral Agent may hold, store, use, operate, manage and control the Property and conduct the business thereof, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property; (ii) insure or keep the Property insured; (iii) manage and operate the Property and exercise all the rights and powers of Obligor to the same extent as Obligor could in its own name or otherwise with respect to the same; and (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted Collateral Agent, all as Collateral Agent from time to time may determine to be in its best interest. Collateral Agent may collect and receive all the rents, issues, profits and revenues from the Property, including those past due as well as those accruing thereafter, and, after deducting (1) all expenses of taking, holding, managing and operating the

Property (including compensation for the services of all persons employed for such purposes); (2) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases and acquisitions; (3) the cost of such insurance; (4) such taxes, assessments and other similar charges as Collateral Agent may at its option pay; (5) other proper charges upon the Property or any part thereof, and (6) the reasonable compensation, expenses and disbursements of the attorneys and agents of Collateral Agent, Collateral Agent shall apply the remainder of the monies and proceeds so received by Collateral Agent, first to the payment of accrued interest; second to the payment of deposits (as may be required in Paragraph 1.04); and third to the payment of overdue installments of principal. Collateral Agent shall have no obligation to discharge any duties of a landlord to any tenant or to incur any liability as a result of any exercise by Collateral Agent of any rights under this Instrument or otherwise. Collateral Agent shall not be liable for any failure to collect rents, issues, profits and revenues from the Property, nor shall Collateral Agent be liable to account for any such rents, issues, profits or revenues unless actually received by Collateral Agent.

(d) Whenever all that is due upon the Indebtedness and under any of the terms, covenants, conditions and agreements of this Instrument, shall have been paid and all Events of Default made good, Collateral Agent shall surrender possession of the Property to Obligor, its successors or assigns. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing.

Section 2.04 Performance by Collateral Agent. If Obligor shall Default in the payment, performance or observance of any term, covenant or condition of this Instrument, Collateral Agent may, so long as such Default continues, at its option, pay, perform or observe the same, and all payments made or costs or expenses incurred by Collateral Agent in connection therewith, shall be secured hereby and shall be, upon demand, immediately repaid by Obligor to Collateral Agent with interest thereon at the default rate provided in the Note. Collateral Agent shall be the sole judge of the necessity for any such actions and of the amounts to be paid. Collateral Agent is hereby empowered to enter and to authorize others to enter upon the Land or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to Obligor or any person in possession holding under Obligor.

Section 2.05 Receiver. If an Event of Default shall have occurred and be continuing, Collateral Agent, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right without notice and without regard to the occupancy or value of any security for the Indebtedness secured hereby or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Property and to collect and apply the rents, issues, profits and revenues thereof. The receiver shall have all of the rights and powers permitted under the laws of the State of Kentucky. Obligor will pay to Collateral Agent upon demand all expenses, including receiver's fees, attorney's fees, costs and agent's compensation, incurred pursuant to the provisions of this Paragraph 2.05; and all such expenses shall be secured by this Instrument.

Section 2.06 Foreclosure. If an Event of Default shall have occurred and be continuing, Collateral Agent may either with or without entry or taking possession as herein provided or otherwise, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or

remedy (i) to enforce payment of the Indebtedness or the performance of any term, covenant, condition or agreement of this Instrument or any other right, and (ii) to pursue any other remedy available to it, as Collateral Agent shall determine most effectual for such purposes.

Section 2.07 Application of Proceeds of Sale. In the event of a foreclosure sale of the Property, the proceeds of said sale shall be applied as provided in the Intercreditor Agreement.

Section 2.08 Purchase by Collateral Agent. Upon any foreclosure sale, Collateral Agent, on behalf of the Lenders, may bid for and purchase the Property and shall be entitled to apply all or any part of the Indebtedness secured hereby as a credit to the purchase price.

Section 2.09 Application of Proceeds of Sale. In the event of a foreclosure sale of the Property, the proceeds of said sale shall be applied as provided in the Intercreditor Agreement.

Section 2.10 Obligor as Tenant Holding Over. In the event of any such foreclosure sale by Collateral Agent, Obligor shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable to tenants holding over.

Section 2.11 Waiver of Appraisement, Valuation, Stay, Extension and Redemption Laws. Obligor agrees to the full extent permitted by law, that in case of a Default or Event of Default on the part of Obligor hereunder, neither Obligor nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension, homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Instrument, or the absolute sale of the Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Obligor, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

Section 2.12 Waiver of Homestead. Obligor hereby waives and renounces all homestead and exemption rights provided for by the Constitution and the laws of the United States and of any state, in and to the Property as against the collection of the Indebtedness, or any part hereof.

Section 2.13 Leases. Collateral Agent, at its option, is authorized to foreclose this Instrument subject to the rights of any tenants of the Property, and the failure to make any such tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Obligor, a defense to any proceedings instituted by Collateral Agent to collect the sums secured hereby.

Section 2.14 Discontinuance of Proceedings and Restoration of the Parties. In case Collateral Agent shall have proceeded to enforce any right, power or remedy under this Instrument by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Collateral Agent, then and in every such case Obligor and Collateral Agent shall be restored to their former positions

and rights hereunder, and all rights, powers and remedies of Collateral Agent shall continue as if no such proceeding had been taken.

Section 2.15 Remedies Cumulative. No right, power or remedy conferred upon or reserved to Collateral Agent by this Instrument is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 2.16 Waiver.

(a) No delay or omission of Collateral Agent or of any Lender to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such Default, or acquiescence therein; and every right, power and remedy given by this Instrument to Collateral Agent may be exercised from time to time and as often as may be deemed expedient by Collateral Agent. No consent or waiver, expressed or implied, by Collateral Agent to or of any breach or Default by Obligor in the performance of the obligations thereof hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or Default in the performance of the same or any other obligations of Obligor hereunder. Failure on the part of Lenders to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by any Lender of its rights hereunder or impair any rights, powers or remedies consequent on any breach or Default by Obligor.

(b) If Lenders (i) grant forbearance or an extension of time for the payment of any sums secured hereby; (ii) take other or additional security for the payment of any sums secured hereby; (iii) waive or do not exercise any right granted herein or in the Note; (iv) release any part of the Property from the lien of this Instrument or otherwise changes any of the terms, covenants, conditions or agreements of the Note or this Instrument; (v) consent to the filing of any map, plat or replat affecting the Property; (vi) consent to the granting of any easement or other right affecting the Property; or (vii) make or consent to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under the Note, this Instrument or any other obligation of Obligor or any subsequent purchaser of the Property or any part thereof, or any maker, co-signer, endorser, surety or guarantor; nor shall any such act or omission preclude Collateral Agent from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default; nor, except as otherwise expressly provided in an instrument or instruments executed by Collateral Agent, shall the lien of this Instrument be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, Collateral Agent, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Property or the Indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements

hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings.

Section 2.17 Suits to Protect the Property. Collateral Agent shall have power (a) to institute and maintain such suits and proceedings as it may deem expedient to prevent any

impairment of the Property by any acts which may be unlawful or in violation of this Instrument, (b) to preserve or protect its interest in the Property and in the rents, issues, profits and revenues arising therefrom, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interest of Lenders.

Section 2.18 Collateral Agent May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Obligor, its creditors or its property, Collateral Agent, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Collateral Agent allowed in such proceedings for the entire amount due and payable by Obligor under this Instrument at the date of the institution of such proceedings and for any additional amount which may become due and payable by Obligor hereunder after such date.

Section 2.19 WAIVER OF OBLIGOR'S RIGHTS. BY EXECUTION OF THIS INSTRUMENT AND BY INITIALING THIS PARAGRAPH 2.19, OBLIGOR EXPRESSLY: (A) ACKNOWLEDGES THE RIGHT TO ACCELERATE THE INDEBTEDNESS; (B) WAIVES ANY AND ALL RIGHTS WHICH OBLIGOR MAY HAVE UNDER THE CONSTITUTION OF THE UNITED STATES (INCLUDING, WITHOUT LIMITATION, THE FIFTH AND FOURTEENTH AMENDMENTS THEREOF), THE VARIOUS PROVISIONS OF THE CONSTITUTIONS FOR THE SEVERAL STATES, OR BY REASON OF ANY OTHER APPLICABLE LAW, TO NOTICE AND TO JUDICIAL HEARING PRIOR TO THE EXERCISE BY COLLATERAL AGENT OF ANY RIGHT OR REMEDY HEREIN PROVIDED TO COLLATERAL AGENT, EXCEPT SUCH NOTICE (IF ANY) AS IS SPECIFICALLY REQUIRED TO BE PROVIDED IN THIS INSTRUMENT; (C) ACKNOWLEDGES THAT OBLIGOR HAS READ THIS INSTRUMENT AND ANY AND ALL QUESTIONS REGARDING THE LEGAL EFFECT OF THIS INSTRUMENT AND ITS PROVISIONS HAVE BEEN EXPLAINED FULLY TO OBLIGOR AND OBLIGOR HAS CONSULTED WITH COUNSEL OF OBLIGOR'S CHOICE PRIOR TO EXECUTING THIS INSTRUMENT; AND (D) ACKNOWLEDGES THAT ALL WAIVERS OF THE AFORESAID RIGHTS OF OBLIGOR HAVE BEEN MADE KNOWINGLY, INTENTIONALLY AND WILLINGLY BY OBLIGOR AS PART OF A BARGAINED FOR LOAN TRANSACTION.

INITIALED BY OBLIGOR:

Section 2.20 Claims Against Collateral Agent and Lenders. No action at law or in equity shall be commenced, or allegation made, or defense raised, by Obligor against Collateral Agent or Lenders for any claim under or related to this Instrument, the Note or any other instrument, document, transfer, conveyance, assignment or loan agreement given by Obligor with respect to the Indebtedness secured hereby, or related to the conduct of the parties thereunder, unless written notice of such claim, expressly setting forth the particulars of the claim alleged by Obligor, shall have been given to Collateral Agent within sixty (60) days from and after the initial awareness of Obligor of the event, omission or circumstances forming the

basis of Obligor for such claim. Any failure by Obligor to timely provide such written notice to Collateral Agent shall constitute a waiver by Obligor of such claim.

ARTICLE 3

Section 3.01 Successors and Assigns. This Instrument shall inure to the benefit of and be binding upon Obligor, Collateral Agent and their respective heirs, executors, legal representatives, successors and assigns. Whenever a reference is made in this Instrument to Obligor or Collateral Agent such reference shall be deemed to include a reference to the heirs, executors, legal representatives, successors and assigns of Obligor or Collateral Agent.

Section 3.02 Terminology. All personal pronouns used in this Instrument whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Titles and Articles are for convenience only and neither limit nor amplify the provisions of this Instrument itself, and all references herein to Articles, Paragraphs or subparagraphs thereof, shall refer to the corresponding Articles, Paragraphs or subparagraphs thereof, of this Instrument unless specific reference is made to such Articles, Paragraphs or subparagraphs thereof of another document or instrument.

Section 3.03 Severability. If any provision of this Instrument or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Instrument and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

Section 3.04 Applicable Law. This Instrument shall be interpreted, construed and enforced according to the laws of the State of Kentucky.

Section 3.05 Notices. Except as otherwise provided herein, any notice or other communication required hereunder shall be in writing, and shall be deemed to have been validly served, given or delivered the next succeeding Business Day (as defined in the Intercreditor Agreement) after timely delivery to the courier, if sent by overnight courier; at the time delivered by hand, if personally delivered; or when receipt is acknowledged, if (i) telecopied (followed by delivery of written copy thereof sent by overnight courier on the same day as such notice is given), or (ii) sent by registered or certified mail, return receipt requested, addressed to Obligor or Collateral Agent as follows:

If to Obligor:

Churchill Weavers, Inc.
c/o Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attn: Mr. David Fraser, Chief Financial Officer
Telecopy Number: (404) 644-6233
Telephone Number: (404) 644-6230

with a copy to:

Rogers & Hardin
2700 International Tower
Peachtree Center
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attn: Steven E. Fox, Esq.
Telecopy Number: (404) 525-2224
Telephone Number: (404) 522-4700

If to Collateral Agent:

Wachovia Bank, N.A.
191 Peachtree Street
30th Floor
Atlanta, Georgia 30303
Attn: Leveraged Finance
Telecopy Number: (404) 332-6920
Telephone Number: (404) 332-1383

with a copy to:

Jones, Day, Reavis & Pogue
3500 SunTrust Plaza
303 Peachtree Street, Suite 3500
Atlanta, Georgia 30308
Attn: Edgar C. Snow, Jr., Esq.
Telecopy Number: (404) 581-8330
Telephone Number: (404) 581-8372

or to such other address as any party may designate for itself by like notice.

Section 3.06 Replacement of Note. Upon receipt of evidence reasonably satisfactory to Obligor of the loss, theft, destruction or mutilation of the Note (or any of them), and in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to Obligor or, in the case of any such mutilation, upon surrender and cancellation of the Note, Obligor will execute and deliver, in lieu thereof, a replacement Note, identical in form and substance to such Note and dated as of the date of such Note and upon such execution and delivery all references in this Instrument to such Note shall be deemed to refer to such replacement Note.

Section 3.07 Assignment. This Instrument is assignable by Collateral Agent, and any assignment hereof by Collateral Agent shall operate to vest in the assignee all rights and powers herein conferred upon and granted to Collateral Agent.

Section 3.08 Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Obligor under this Instrument, the Note and any and

all other instruments now or hereafter evidencing, securing or otherwise relating to the Indebtedness.

Section 3.09 Fixture Filing. FOR PURPOSES OF THE UNIFORM COMMERCIAL CODE, THE FOLLOWING INFORMATION IS FURNISHED:

(a) The name and address of the record owner of the real estate described in this Instrument is:

Churchill Weavers, Inc.
c/o Crown Crafts, Inc.
1600 RiverEdge Parkway, Suite 200
Atlanta, Georgia 30328

(b) The name and address of the debtor/mortgagor is:

Churchill Weavers, Inc.
c/o Crown Crafts, Inc.
1600 RiverEdge Parkway, Suite 200
Atlanta, Georgia 30328

(c) The name and address of the secured party/mortgagee is:

Wachovia Bank, N.A., as agent
191 Peachtree Street, 30th Floor
Atlanta, Georgia 30303

(d) Information concerning the security interest evidenced by this Instrument may be obtained from the secured party at its address above.

(e) This Instrument covers debts which are or are to become fixtures.

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IN WITNESS WHEREOF, Obligor has executed this Instrument under seal, as of the day and year first above written.

CHURCHILL WEAVERS, INC., a
Kentucky corporation

By: /s/ Roger D. Chittum

Printed Name: Roger D. Chittum

Printed Title:Vice President

Attest:/s/ Robert A. Enholm

Printed Name: Robert A. Enholm

Printed Title: Assistant Secretary

STATE OF_____)
) ss:
COUNTY OF_____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1999, by _____, as the _____ of Churchill Weavers, Inc., a Kentucky corporation, on behalf of the corporation.

NOTARY PUBLIC

[NOTARIAL SEAL]

My Commission Expires:

THIS INSTRUMENT PREPARED BY
AND UPON RECORDATION, RETURN TO:

- ---
Michelle A. Hickerson, Esq.
Jones, Day, Reavis & Pogue
3500 SunTrust Plaza
303 Peachtree Street
Atlanta, Georgia 30308-3242

REVIEWED FOR CONFORMITY WITH
KENTUCKY LAW BY:

- ---
Alfred Joseph, Esq.

Stites & Harbison
400 West Market Street, Suite 1800
Louisville, Kentucky 40202

EXHIBIT "A"

Description of Land

[TO BE COMPLETED]

Being the same property conveyed to Obligor by _____ pursuant to that certain _____ recorded in Book _____, Page _____ of the real estate records of _____ County, Kentucky.

EXHIBIT "B"

Permitted Exceptions

1. Such encumbrances or exceptions to title as are of record prior to date of recordation of this instrument.

2. Such encumbrances or exceptions to title as would be revealed by a current survey of the property.

FIRST AMENDMENT TO MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT

THIS FIRST AMENDMENT TO MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT (this "First Amendment") is made and entered into this 23rd day of July, 2001, by and between CHURCHILL WEAVERS, INC., a Kentucky corporation, having a mailing address of 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328 ("Obligor"), and WACHOVIA BANK, N.A. ("Wachovia"), having a mailing address of 191 Peachtree Street, 30th Floor, Atlanta, Fulton County, Georgia 30303, as agent (together with its successors and assigns, "Collateral Agent"), for itself, Bank of America, N.A. ("Bank of America"), having a mailing address of Independence Center, 15th Floor, NCI 001-15-04, Charlotte, Mecklenburg County, North Carolina 28255, and The Prudential Insurance Company of America ("Prudential"), having a mailing address of Prudential Capital Group, Two Ravinia Drive, Suite 1400, Atlanta, Fulton County, Georgia 30346 (collectively, "Lenders").

WITNESSETH:

WHEREAS in connection with that certain Intercreditor Agreement by and among Crown Crafts, Inc., a Georgia corporation, Collateral Agent and Lenders dated August 9, 1999 (as amended or otherwise modified from time to time, the "Original Intercreditor Agreement"), Obligor provided that certain Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999 and recorded in Mortgage Book 586, Page 332, in the Office of the Clerk of Madison County, Kentucky (as amended or otherwise modified from time to time, the "Original Mortgage") encumbering the Property (as more particularly described in the Original Mortgage);

WHEREAS the Lenders have agreed to refinance, amend and restate the obligations of Crown Crafts, Inc., Obligor and other parties pursuant to that certain Credit Agreement dated as of the date hereof by and among Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc., Obligor, Collateral Agent and Lenders; and

WHEREAS, Obligor, Collateral Agent and Lenders desire to amend the Original Mortgage as hereinafter set forth to reflect the terms and conditions of the Credit Agreement.

NOW THEREFORE, for and in consideration of and as security for the debt hereinafter described, and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which

are hereby acknowledged, Obligor, Collateral Agent and Lenders hereby agree as follows:

1. Definition of Indebtedness. Paragraphs (a) through (d), inclusive, as set forth on pages 2 and 3 of the Original Mortgage (which paragraphs define "Indebtedness" under the

Original Mortgage) are hereby deleted in their entirety, and in lieu thereof, the following number paragraphs are inserted:

"(a) All Obligations, including the debt and interest thereon evidenced by the Notes, including: (i) those certain promissory notes (the "Wachovia Notes") dated July 23, 2001, made by Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc. and Obligor, payable to the order of Wachovia Bank, N.A., in the aggregate principal face amount of up to Fifteen Million One Hundred Three Thousand One Hundred Ten and No/100 Dollars ($15,103,110.00), described as follows: (1) that certain Revolving Loan Note in the maximum principal amount of $8,695,730.00 due on or before July 30, 2003, and (2) that certain $6,407,380.00 Term Loan Note due on or before July 30, 2006; (ii) those certain promissory notes (the "Bank of America Notes") dated July 23, 2001, made by Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc. and Obligor, payable to the order of Bank of America, N.A., in the aggregate principal face amount of up to Six Million Five Hundred Forty Thousand Nine Hundred Thirty and No/100 Dollars ($6,540,930.00), described as follows: (1) that certain Revolving Loan Note in the maximum principal amount of $3,765,990.00 due on or before July 30, 2003, and (2) that certain $2,774,940.00 Term Loan Note due on or before July 30, 2006; and (iii) those certain promissory notes (the "Prudential Notes") dated July 23, 2001, made by Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc. and Obligor, payable to the order of The Prudential Insurance Company of America, in the aggregate principal face amount of up to Eleven Million Three Hundred Fifty Five Thousand Nine Hundred Sixty and No/100 Dollars ($11,355,960.00), described as follows: (1) that certain Revolving Loan Note in the maximum principal amount of $6,538,280.00 due on or before July 30, 2003, and (2) that certain $4,817,680.00 Term Loan Note due on or before July 30, 2006, and all other indebtedness, liabilities and obligations of Obligor to the Collateral Agent and Lenders under that certain Credit Agreement dated as of the date hereof by and among Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc., Obligor, Collateral Agent and Lenders (as amended or otherwise modified from time to time, the "Credit Agreement"), the Notes and the other Credit Documents, including, without limitation, all principal, interest, fees, costs and indemnification amounts, and any extensions and renewals thereof in whole or in part. It is hereby stipulated that the foregoing Revolving Loan Notes evidence indebtedness arising under a "Line of Credit" as such term is defined in KRS 382.385, and the Lenders and Obligor intend for this Instrument to secure such Line of Credit. The Wachovia Notes, the Bank of America Notes and the Prudential Notes, as any of them may be amended or otherwise modified from time to time, are herein collectively referred to as the "Note".

(b) Any and all additional advances made by any Lender to protect or preserve the Property or the lien and security title hereof in and to the Property, or for taxes, assessments or insurance premiums as hereinafter provided (whether or not the Obligor remains the owner of the Property at the time of such advances)."

2. Collateral. Paragraph (e) as set forth on page 2 of the Original Mortgage (which paragraph defines "Collateral" under the Original Mortgage) is hereby deleted in its entirety, and in lieu thereof, the following numbered paragraph is inserted:

"(e) All other "Collateral" (as defined in that certain Security Agreement (as amended or otherwise modified from time to time, the "Security Agreement") executed by Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc. and Obligor in favor of the Collateral Agent for the ratable benefit of Lenders dated as of the date hereof."

3. Credit Agreement. The words "Intercreditor Agreement" in Sections 1.02, 1.03(f), 2.01 (Intercreditor Agreement occurs twice), 2.07, 2.09 and 3.05 are hereby deleted in their entirety, and in lieu thereof, the words "Credit Agreement" shall be inserted.

4. Credit Documents. The words "Transaction Documents" in Sections 2.01 and 2.02 are hereby deleted in their entirety, and in lieu thereof, the words "Credit Documents" shall be inserted.

5. Domestic Business Day. The words "Business Day" in Section 3.05 are hereby deleted in their entirety, and in lieu thereof, the words "Domestic Business Day" shall be inserted.

6. Counterparts. This First Amendment may be executed in any number of counterparts, each of which when taken together shall constitute one and the same original instrument.

7. Ratification. Except as expressly amended by this First Amendment, the Original Mortgage shall remain in full force and effect in accordance with its terms.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Obligor has executed this First Amendment under seal, as of the day and year first above written.

CHURCHILL WEAVERS, INC., a
Kentucky corporation

By:/s/ E. Randall Chestnut

Printed Name: E. Randall Chestnut

Printed Title: Vice President

Attest: /s/ Robert A. Enholm

Printed Name: Robert A. Enholm

Printed Title: Secretary

STATE OF GEORGIA) ss:
COUNTY OF FULTON)

The foregoing instrument was acknowledged before me this 24th day of July, 2001, by E. Randall Chestnut, as the Vice President of Churchill Weavers, Inc., a Kentucky corporation, on behalf of the corporation.

/s/ Janice I. Dillingham

NOTARY PUBLIC

[NOTARIAL SEAL]

My Commission Expires:

(signatures continued on next page)

(signatures continued from previous page)

WACHOVIA BANK, N.A., as Collateral Agent

By: /s/ R.E.S. Bowen

Printed Name: R.E.S. Bowen

Printed Title: Vice President

Attest: /s/ David J. Sapp

Printed Name: David J. Sapp

Printed Title: Senior Vice President

STATE OF GEORGIA)
) ss:
COUNTY OF FULTON)

The foregoing instrument was acknowledged before me this 24th day of July, 2001, by R.E.S. Bowen, as the Vice President of Wachovia Bank, N.A., on behalf of said national association.

/s/ Janice I. Dillingham

NOTARY PUBLIC

[NOTARIAL SEAL]

My Commission Expires:

THIS INSTRUMENT PREPARED BY
AND UPON RECORDATION, RETURN TO:

- ---
Tracy S. Plott, Esq.
Jones, Day, Reavis & Pogue
3500 SunTrust Plaza
303 Peachtree Street
Atlanta, Georgia 30308-3242

EXHIBIT 10.10

- ----------

SUBORDINATED NOTE
AND WARRANT PURCHASE AGREEMENT

DATED AS OF JULY 23, 2001

BY AND BETWEEN

CROWN CRAFTS, INC.,
AS ISSUER OF THE NOTE AND A WARRANT

AND

BANK OF AMERICA, N.A.
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
WACHOVIA BANK, N.A.,
EACH AS A PURCHASER

- ----------

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Purchaser Schedule

(Schedules to this agreement have been omitted; the Registrant agrees to furnish supplementally to the Commission, upon request, a copy of these schedules.)

SUBORDINATED NOTE AND WARRANT
PURCHASE AGREEMENT

THIS SUBORDINATED NOTE AND WARRANT PURCHASE AGREEMENT dated as of July 23, 2001 by and between CROWN CRAFTS, INC., a corporation organized under the laws of the State of Georgia, as issuer of the Subordinated Notes and Warrant (the "COMPANY"), and BANK OF AMERICA, N.A., THE PRUDENTIAL INSURANCE COMPANY OF AMERICA and WACHOVIA BANK, N.A. (together with any successor or assign of any of the foregoing, collectively "PURCHASERS").

WHEREAS, on the date hereof, the Company, Churchill Weavers, Inc., Hamco, Inc., and Crown Crafts Infant Products, Inc., as borrowers entered into that certain Credit Agreement dated as of the date hereof with certain lenders a party thereto ("SENIOR LENDERS") and Wachovia Bank, N.A., as agent for the Senior Lenders (as amended, restated, modified and otherwise supplemented in accordance with the provisions thereof, the "SENIOR CREDIT AGREEMENT");

WHEREAS, the Company has requested that each Purchaser make a subordinated debt investment in the Company, the proceeds of which will be used by the Company, among other things, to repay outstanding indebtedness;

WHEREAS, each Purchaser has agreed to make a subordinated debt investment in the Company on the terms and subject to the conditions set forth herein, such investment to be evidenced by a subordinated note in such amount from the Company and certain warrants issued by the Company as more fully described below;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and conditions contained herein, and 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:

ARTICLE I.

DEFINITIONS

SECTION 1.01 DEFINITIONS. In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ACCOUNT DEBTOR" shall mean the Person who is obligated on any of the Accounts Receivable Collateral or Factored Accounts or otherwise is obligated as a purchaser or lessee of any of the Inventory Collateral.

"ACCOUNTS RECEIVABLE COLLATERAL" shall mean and include all accounts, instruments, and chattel paper, including, without limitation, all rights of Obligor to payment for goods sold or leased, or to be sold or to be leased, or for services rendered or to be rendered, howsoever evidenced or incurred, and together with all returned or

repossessed goods and all books, records, computer tapes, programs and ledger books arising therefrom or relating thereto, all whether now owned or hereafter acquired or arising; provided, however, that the term Accounts Receivable Collateral shall not include Factored Accounts.

"AFFILIATE" of any relevant Person shall mean (i) any Person that directly, or indirectly through one or more intermediaries, controls the relevant Person (a "CONTROLLING PERSON"), (ii) any Person (other than the relevant Person or a Subsidiary of the relevant Person) which is controlled by or is under common control with a Controlling Person, or (iii) any Person (other than a Subsidiary of the relevant Person) of which the relevant Person owns, directly or indirectly, 10% or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"AGGREGATE REAL PROPERTIES" shall have the meaning set forth in Section 5.12(a).

"AGREEMENT" shall mean this Subordinated Note and Warrant Purchase Agreement, as the same may be amended, restated, supplemented or modified from time to time in accordance with the terms hereof.

"ANNUAL PERIOD" shall mean each annual period of 12 consecutive months ending on a June 30 Quarterly Payment Date.

"ASSIGNMENT AGREEMENT" shall mean the Assignment Agreement dated as of the date hereof by and between the Company and the Collateral Agent, for itself and for the benefit of the Purchasers.

"ASSIGNMENT OF FACTORING CREDIT BALANCES" shall mean an Assignment of Factoring Credit Balances and Agreement entered into from time to time by Wachovia, as collateral agent, one or more Obligor and a Permitted Factor.

"BANKRUPTCY CODE" shall mean Title 11 of the United States Code, as it may be amended from time to time.

"BLOCKED ACCOUNT AGREEMENT" shall mean a Blocked Account Agreement, executed and delivered by any depositary institution with which any Obligor has a demand deposit, operating account or other such similar depositary relationship.

"CAPITAL STOCK" shall mean any capital stock other than Redeemable Preferred Stock (or other equivalent equity interest issued other than in stock) of the Company or any Subsidiary (to the extent issued to a Person other than any Obligor), whether common, preferred or otherwise.

"CASH INTEREST" shall mean, for any period, the aggregate amount of interest payable during such period on the Notes and the Senior Debt (at the Cash Contract Rate only pursuant to the Senior Credit Agreement).

"CERTIFIED PUBLIC ACCOUNTANTS" shall mean the Company's independent certified public accountants as of the Closing Date and such other firm or firms of naturally recognized independent certified public accountants which may be retained by the Company thereafter for the purpose of auditing its financial statements.

"CERCLA" shall mean the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. ss. 9601 et. seq. and its implementing regulations and amendments.

"CERCLIS" shall mean the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"CHANGE IN CONTROL" shall mean, except as a result of the exercise of any of the Warrants, (i) the beneficial ownership or acquisition in any transaction or series of related transactions of 50% or more of the combined voting power of all then issued and outstanding Voting Stock of the Company by any Person (together with any of its Affiliates) holding 10% or more of the combined voting power of the issued and outstanding Voting Stock of the Company as of the Closing Date, acting alone or in concert with one or more Persons, or (ii) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of the voting stock of the Company; or (iii) as of any date a majority of the Board of Directors of the Company consists of individuals who were not either (A) directors of the Company as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Company of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Company of which a majority consisted of individuals described in clause (A) and individuals described in clause (B), or (iv) the Company or any of its Subsidiaries shall merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person except that (x) any Subsidiary of the Company may merge or consolidate with or into, or dispose of assets to the Company or any other Wholly-Owned Subsidiary of the Company or (y) the Company or any Subsidiary may merge with any other Person so long as the Company or such Subsidiary is the surviving entity.

"CLOSING DATE" shall mean July 23, 2001.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, or any successor Federal tax code.

"COLLATERAL" shall mean (i) the personal property in which the Collateral Agent, for the benefit of the Purchasers, is granted a security interest pursuant to the Security Agreement, (ii) the Real Property conveyed to the Collateral Agent pursuant to the Mortgages, and (iii) the Domestic Pledged Stock and the Foreign Pledged Stock pledged

to the Collateral Agent pursuant to the Domestic Stock Pledge Agreement and the Foreign Stock Pledge Agreement, respectively.

"COLLATERAL AGENT" shall mean Wachovia Bank, N.A. and any

successor.

"COLLATERAL INFORMATION CERTIFICATES" shall mean, individually or collectively, as the context shall require, the Collateral Information Certificates dated as of even date herewith, executed by each of the Obligors and containing disclosure of information pertaining to the Collateral.

"COLLATERAL LOCATIONS" shall mean the respective state of organization of the Company and each other Obligor, chief executive office of the Company and each other Obligor and those additional locations, if any, of the Company and each other Obligor set forth and described in the Collateral Information Certificates.

"COMPANY" has the meaning set forth in the introductory paragraph hereof and shall include the Company's successors and assigns.

"CONSOLIDATED AVAILABLE FREE CASH FLOW" shall mean, for each Annual Period, an amount equal to 70% of Consolidated Free Cash Flow for such Annual Period.

"CONSOLIDATED DEBT" shall mean, at any date, the Debt of the Company and its Consolidated Subsidiaries, determined on a consolidated basis as of such date, but excluding Contingent Interest (as defined in the Senior Credit Agreement) and amounts payable pursuant to Section 2.06(a) of this Agreement.

"CONSOLIDATED EBITDA" shall mean the sum of the following, calculated on a consolidated basis in accordance with GAAP for the Company and its Consolidated Subsidiaries, for the relevant fiscal period: (i) Consolidated Net Income; plus (ii) depreciation and amortization expenses; plus (iii) Consolidated Interest Expense; plus (iv) income tax expense included in Consolidated Net Income.

"CONSOLIDATED FREE CASH FLOW" shall mean, for any period, (i) Consolidated EBITDA for such Annual Period, minus (ii) capital expenditures made in such Annual Period, minus (iii) taxes paid in such Annual Period.

"CONSOLIDATED INTEREST EXPENSE" shall mean, for any relevant fiscal period, interest, whether expensed or capitalized, in respect of Debt of the Company or any of its Consolidated Subsidiaries outstanding during such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET INCOME" shall mean, for any relevant fiscal period, the Net Income of the Company and its Consolidated Subsidiaries determined on a consolidated basis, but excluding extraordinary items.

"CONSOLIDATED SUBSIDIARY" shall mean, at any date, any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Company in its consolidated financial statements as of such date.

"CONTROLLED GROUP" shall mean all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company and the other Obligors, are treated as a single employer under Section 414 of the Code.

"DEBT" of any Person shall mean, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all payment obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and accrued expenses arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases or leases for which such Person retains tax ownership of the property subject to a lease, (v) all obligations of

such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vii) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid or undrawn amounts available to be paid under a letter of credit or similar instrument, (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (ix) all obligations of such Person with respect to interest rate protection agreements, foreign currency exchange agreements or other hedging arrangements, other than commodity hedging agreements entered into by such Person as risk protection rather than as an investment (each valued as the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable agreement, if any), and (x) all Debt of others Guaranteed by such Person.

"DEBT/EBITDA RATIO" shall mean the ratio of Consolidated Debt to Consolidated EBITDA.

"DEFAULT" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DEFAULT RATE" shall have the meaning set forth in Section 3.05.

"DIRECT FOREIGN SUBSIDIARY" shall mean any Foreign Subsidiary owned directly by the Company or any other Obligor.

"DOMESTIC BUSINESS DAY" shall mean any day except a Saturday, Sunday or other day on which commercial banks in Georgia or New York are authorized by law to close.

"DOMESTIC STOCK PLEDGE AGREEMENT" shall mean the Stock Pledge Agreement, substantially in the form of Exhibit D, which is an amendment and restatement of the Original Stock Pledge Agreement, to be executed by the Company (or, pursuant to Section 7.07, any other Obligor created or acquiring a Domestic Subsidiary), pledging to the Collateral Agent pursuant thereto, for the equal and ratable benefit of the Purchasers subject to the Lends of the Senior Lenders, all of the outstanding capital stock of all

Domestic Subsidiaries, to secure the payment of all of the Obligations, as any of the foregoing may be amended or supplemented from time to time.

"DOMESTIC PLEDGED STOCK" shall mean the capital stock of the Domestic Subsidiaries described in and pledged pursuant to the Domestic Stock Pledge Agreement.

"DOMESTIC SUBSIDIARY" shall mean any Subsidiary which is organized under the laws of the United States of America or any state, territory or possession thereof or the District of Columbia.

"EBITDA/CASH INTEREST RATIO" shall mean the ratio of Consolidated EBITDA to Cash Interest.

"ENVIRONMENTAL AUTHORITY" shall mean any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

"ENVIRONMENTAL AUTHORIZATIONS" shall mean all licenses, permits, orders, approvals, notices, registrations or other legal prerequisites for conducting the business of the Company or any Subsidiary required by any Environmental Requirement.

"ENVIRONMENTAL JUDGMENTS AND ORDERS" shall mean all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent, or

written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"ENVIRONMENTAL LIABILITIES" shall mean any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with any Environmental Requirements.

"ENVIRONMENTAL NOTICES" shall mean notice from any Environmental Authority or by any other person or entity, of possible or alleged noncompliance with or liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"ENVIRONMENTAL PROCEEDINGS" shall mean any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"ENVIRONMENTAL RELEASES" shall mean releases as defined in CERCLA or under any applicable state or local environmental law or regulation.

"ENVIRONMENTAL REQUIREMENTS" shall mean any legal requirement relating to health, safety or the environment and applicable to the Company or any Subsidiary or the Aggregate Real Properties, including but not limited to any such requirement under

CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"EQUIPMENT COLLATERAL" shall mean all equipment and fixtures of each of the Obligors, whether now owned or hereafter acquired, wherever located, including, without limitation, all machinery, furniture, furnishings, leasehold improvements, computer equipment, books and records, motor vehicles, forklifts, rolling stock, dies and tools used or useful in such Obligor's business operations, and software embedded in any such goods, excluding, however, Excluded Equipment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"EXCLUDED EQUIPMENT" shall mean (i) any equipment subject to a Purchase Money Lien as to which the purchase money creditor holding such Lien prohibits other Liens thereon without its prior consent, unless and until either (A) such creditor grants such consent or (B) the Debt secured by such Lien has been fully paid and satisfied; and (ii) any equipment with respect to which the rights of possession and use of any Obligor are created pursuant to a lease which does not create a security interest, unless and until such time (if any) as such Obligor acquires title to such equipment from the lessor or the lessor abandons its rights and claims thereto.

"EVENT OF DEFAULT" has the meaning set forth in Section 9.01.

"EXECUTIVE OFFICE" shall mean the chief executive office address of each Obligor designated as such in the Collateral Information Certificates.

"FACTORED ACCOUNTS" shall mean all accounts of any Obligors actually purchased by a Permitted Factor in connection with a factoring program approved by the Required Holders, which factoring program, among other things, shall not provide for any loans or advances to be made to any of the Obligors on account of accounts to be purchased by

such Permitted Factor or any Lien on accounts or related assets not purchased or identified for purchase by such Factor.

"FISCAL MONTH" shall mean any fiscal month of the Company.

"FISCAL QUARTER" shall mean any fiscal quarter of the Company.

"FISCAL YEAR" shall mean any fiscal year of the Company.

"FOREIGN PLEDGED STOCK" shall mean all capital stock of the Direct Foreign Subsidiaries pledged pursuant to the Foreign Stock Pledge Agreement.

"FOREIGN STOCK PLEDGE AGREEMENT" shall mean, collectively, (i) the Foreign Stock Pledge Agreement, substantially in the form of Exhibit E, executed by the Company (and, pursuant to Section 7.07, any other Obligor creating or acquiring a Direct

Foreign Subsidiary), and (ii) and if requested by the Required Holders, any pledge or other agreement which may required pursuant to applicable law in the jurisdiction in which a Direct Foreign Subsidiary is located, in each case to be executed and delivered by the Company and each other Obligor which owns any Direct Foreign Subsidiaries, pledging to the agent pursuant thereto, for the ratable benefit of the Required Holders subject to the Lien of the Senior Lenders, 65% of the capital stock of all Direct Foreign Subsidiaries, to secure the payment of all of the Obligations, as any of the foregoing may be amended or supplemented from time to time.

"FOREIGN SUBSIDIARY" shall mean any Subsidiary which is not a Domestic Subsidiary.

"FULLY DILUTED BASIS" includes, without duplication, (i) all shares of Capital Stock of the Company outstanding at the time of determination, (ii) the Capital Stock issuable upon exercise of all outstanding warrants, options and other rights to acquire Capital Stock of the Company directly or indirectly and (iii) the Capital Stock of the Company issuable upon conversion of all securities convertible directly or indirectly into Capital Stock of the Company.

"GAAP" shall mean generally accepted accounting principles in the United States of America applied on a basis consistent with those which, in accordance with Section 1.03, are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

"GUARANTEE" by any Person shall mean any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"HAZARDOUS MATERIALS" includes, without limitation, (a) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. ss. 6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) "hazardous substance", "pollutant", or "contaminant" as defined in CERCLA, or in any applicable state or local law or

regulation, (c) gasoline, or any other petroleum product or by-product, including, crude oil or any fraction thereof, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable

state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"INTANGIBLES COLLATERAL" shall mean all general intangibles of each Obligor, whether now existing or hereafter acquired or arising, including, without limitation, all copyrights, royalties, tax refunds, rights to tax refunds, trademarks, trade names, service marks, patent and proprietary rights, blueprints, drawings, designs, trade secrets, plans, diagrams, schematics and assembly and display materials relating thereto, all customer lists, all books and records and all computer software and programs, and all goodwill of each Obligor associated therewith.

"INTERCREDITOR AGREEMENT" shall mean an Intercreditor Agreement, in form and substance satisfactory to the Purchasers, by and among the Purchasers, the Senior Lenders and Wachovia, with respect to the first priority liens in the Collateral in favor of the Collateral Agent for the ratable benefit of the Senior Lenders, and the second priority liens on the Collateral in favor of the Collateral Agent for the ratable benefit of the Purchasers, and setting forth the relative rights and priorities of such parties in the Collateral and matters related thereto.

"INTEREST RATE PROTECTION AGREEMENT" shall mean an interest rate hedging or protection agreement entered into by and between any of the Obligors and any of the Purchasers, together with all exhibits, schedules, extensions, renewals, amendments, substitutions and replacements thereto and thereof.

"INVENTORY COLLATERAL" shall mean all inventory of each Obligor, whether now owned or hereafter acquired, wherever located, including, without limitation, all goods of such Obligor held for sale or lease or furnished or to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, spare parts, repair parts, returned and repossessed goods, software embedded in such goods, all raw materials, work-in-process, finished goods and supplies used or consumed in such Obligor's business, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading or orders for the delivery of all, or any portion, of the foregoing; provided, however, that "Inventory Collateral" shall not include goods which are placed by the owner thereof on consignment with an Obligor in compliance with Section 2-326 of the Uniform Commercial Code of the applicable jurisdiction.

"LIEN" shall mean, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest, encumbrance, or servitude of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, the Obligors or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"MARGIN STOCK" shall mean "margin stock" as defined in

Regulations T, U or X.

"MATERIAL ADVERSE EFFECT" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination, or claim or contest by any Obligor demanding the same, in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business, properties or prospects of any Obligor, or any Subsidiary, (b) the rights and remedies of the Collateral Agent or the Purchasers under the Transaction Documents, the Collateral Agent's security interest and Lien against the Collateral, or the ability of any of the Obligors or any Person obligated under a Guarantee of the Obligations to perform its obligations with respect to the Obligations or under the Transaction Documents to which it is a party (including, without limitation, the repudiation, revocation or any attempt to do the same by any Obligor or any Person obligated under a Guarantee of the Obligations or any other Transaction Document), as applicable, or (c) the legality, validity or enforceability of any Transaction Document.

"MATERIAL CONTRACT" shall mean (i) the License Agreement between the Parent and Disney Enterprises, Inc. dated December 4, 2000, and (ii) any contract, lease, instrument, guaranty or license, or other arrangement (other than any of the Transaction Documents), whether written or oral, to which any Obligor or any of its Subsidiaries is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could have a Material Adverse Effect.

"MATURITY DATE" shall mean July 23, 2007.

"MORTGAGES" shall mean any one, or more, or all, as the context shall require, of (i) the Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999, from Churchill Weavers, Inc., to Wachovia Bank, N.A., as collateral agent for itself and other lenders identified in said mortgage, recorded in Book 586, Page 332, Madison County, Kentucky, Records, as amended by the Mortgage Amendment; and (ii) any Mortgage required by Section 7.07 (which shall be similar to the Mortgage described in clause (i) above, subject to modification as appropriate to take into account the law of the state in which the Real Property covered thereby is located), in each case together with all future amendments and supplements thereto.

"MORTGAGE AMENDMENT" shall mean an amendment, of even date herewith, to the Mortgage described in clause (i) of the definition of Mortgage, which is satisfactory to the Lenders, which amendment shall, among other things, refer to this Agreement and the refinancing of the Refinanced Agreements pursuant hereto, secure the Obligations hereunder, and continue the Liens and security interests granted pursuant to the Mortgage without interruption.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"NET CASUALTY/INSURANCE PROCEEDS", shall mean, when used with respect to any Condemnation Awards or insurance proceeds allocable to the Collateral or in respect of business interruption insurance, the gross proceeds from any Casualty or Condemnation or business interruption remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such gross proceeds.

"NET INCOME" shall mean, as applied to any Person for any relevant fiscal period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"NOTES" shall mean, collectively, each subordinated promissory note issued by the Company pursuant to Section 2.01, Section 2.04(a) or

any other provision hereof, in substantially the form of Exhibit A-1 or A-2 hereto, as the case may be, maturing on the Maturity Date, or such earlier date as provided herein, at which time all principal, interest and other amounts owing hereunder shall be due and payable in full, and bearing interest as set forth in this Agreement, and each Note delivered in substitution, amendment, modification, extension or exchange for any such Note pursuant to the provisions of this Agreement.

"OBLIGATIONS" shall mean all Debts, indebtedness, liabilities, covenants, duties and other obligations of the Obligors: (i) to the Collateral Agent, any of the Purchasers, or any of their respective successors, permitted transferees or permitted assigns, included or arising from time to time under this Agreement or any other Transaction Document, whether evidenced by any note or other writing, whether arising from the extension of credit, opening of a letter of credit, acceptance or loan guaranty, including, without limitation, principal, interest, Yield-Maintenance Amount, fees, costs, attorney's fees and indemnification amounts and any and all extensions or renewals thereof in whole or in part, direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several; (ii) to any Purchaser or Affiliate thereof arising under any Interest Rate Protection Agreement with any such Purchaser or Affiliate, including, without limitation, any premature termination or breakage or other costs with respect thereto; (iii) to any Purchaser and its Affiliates, arising in connection with any banking or related transactions, services or functions provided to the Company in connection with the conduct of the Company's business (excluding extensions of credit giving rise to any Debt for Money Borrowed not related to this Agreement or any of the other Transaction Documents).

"OBLIGORS" shall mean, individually and collectively, as the context requires, each of the following Persons: (i) the Company, Churchill Weavers, Inc., a Kentucky corporation, Hamco, Inc., a Louisiana corporation, and Crown Crafts Infant Products, Inc., a Delaware corporation; (ii) any Person which becomes an Obligor pursuant to the provisions of Section 7.07 of this Agreement; and (iii) in the case of each Obligor, its successors and its permitted assigns.

"ORIGINAL SECURITY AGREEMENT" shall mean, collectively, each of the "Security Agreements", as defined in the Refinanced Agreements, which were executed and delivered by the Company and the other Obligors and their predecessors in interest

pursuant to the Refinanced Agreements and the "Intercreditor Agreement", as defined in the Refinanced Agreements.

"ORIGINAL STOCK PLEDGE AGREEMENT" shall mean the "Pledge Agreement", as defined in the Refinanced Agreements, which was executed and delivered by the Parent pursuant to the Refinanced Agreements and the "Intercreditor Agreement", as defined in the Refinanced Agreements.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PERMITTED ENCUMBRANCES" shall mean, (i) as to the Collateral granted pursuant to the Security Agreement, the encumbrances set forth on Schedule 7.10, and (ii) as to each parcel of the Real Properties, the encumbrances expressly permitted by the Mortgage with respect to such parcel of the Real Properties.

"PERMITTED FACTOR" shall mean any factor approved in writing by the Purchasers and subject to an Assignment of Factoring Credit Balances.

"PERSON" shall mean an individual, a corporation, a limited liability company, a partnership, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"PLAN" shall mean at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding 5 plan years made contributions.

"PIK EQUIVALENT" shall mean, as of any date of determination, an amount equal to the aggregate amount of each PIK Note to be issued pursuant to Section 2.04(a) from the date hereof to and including the Maturity Date with respect to any principal amount being prepaid as of such date of determination.

"PIK NOTE" shall have the meaning set forth in Section 2.04(a).

"PREFERRED SHARES", as applied to any Person, shall mean Capital Stock of such Person which shall be entitled to preference or priority over any other Capital Stock of such Person in respect of either the payment of dividends or the distribution of assets upon liquidation.

"PREMIUM" shall mean any amount payable to a lender as consideration or compensation for the prepayment of Debt.

"PURCHASE MONEY LIEN" shall mean any Lien (including a negative pledge arrangement) granted by any Obligor or any Subsidiary from time to time to vendors or financiers of equipment to secure not less than 75% of the payment of the purchase price thereof so long as (i) such Liens extend only to the specific equipment so purchased, (ii) secure only such deferred payment obligation and related interest, fees and charges and no other Debt, and (iii) are promptly released upon the payment in full of such purchase price and related interest, fees and charges.

"PURCHASERS" shall have the meaning set forth in the introductory paragraph.

"QUARTERLY PAYMENT DATE" shall mean each March 31, June 30, September 30 and December 31, commencing with September 30, 2001.

"REAL PROPERTIES" shall mean the real property owned by the Obligors and described in the Mortgages.

"REAL PROPERTY DOCUMENTATION" shall mean the following as to each parcel of the Real Properties, in each case in form and substance satisfactory to the Required Holders in their reasonable judgment:

(i) an owner's/lessee's affidavit for each parcel or tract of such Real Property;

(ii) mortgagee title insurance binders and policies for each tract or parcel of such Real Property;

(iii) a certificate as to the insurance required by the related Mortgage, to the extent not furnished pursuant to Section 6.06;

(iv) an indemnification agreement regarding hazardous materials for such Real Property;

(v) as to any Mortgage required by Section 7.07, a current survey of each parcel or tract of such Real Property;

(vi) as to any Mortgage required by Section 7.07,

such consents, acknowledgments, intercreditor or attornment and subordination agreements as the Collateral Agent may require from any Third Parties with respect to any portion of such Real Property;

(vii) as to any Mortgage required by Section 7.07, a report of a licensed engineer detailing an environmental inspection of such Real Property; and

(viii) as to any Mortgage required by Section 7.07, an appraisal of such Real Property, prepared by an appraiser satisfactory to the Collateral Agent and engaged by and on behalf of the Collateral Agent and the Purchasers.

"REDEEMABLE PREFERRED STOCK" of any Person shall mean any preferred stock issued by such Person which is at any time prior to the Maturity Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"REFINANCED AGREEMENTS" shall mean, collectively, (i) the Credit Agreement between the Company and Wachovia, dated as of August 9, 1999, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of February 23, 2000, Amendment No. 2 to Revolving Credit Agreement dated as of March 13, 2000, Amendment No. 3 to Revolving Credit Agreement dated as of June 4, 2000, Amendment No. 4 to Revolving Credit Agreement dated as of August 31, 2000, Amendment No. 5 to Revolving Credit Agreement dated as of April 3, 2001; and Amendment No. 6 to Revolving Credit Agreement dated as of June 29, 2001 (ii) the Credit Agreement between the Company and Bank of America, N.A., dated as of August 9, 1999, as amended by Amendment No. 1 to Revolving Credit Agreement dated as of February 23, 2000, Amendment No. 2 to Revolving Credit Agreement dated as of March 13, 2000, Amendment No. 3 to Revolving Credit Agreement dated as of June 4, 2000, Amendment No. 4 to Revolving Credit Agreement dated as of August 31, 2000, Amendment No. 5 to Revolving Credit Agreement dated as of April 3, 2001 and Amendment No. 6 to Revolving Credit Agreement dated as of June 29, 2001; and (iii) the Note Purchase and Private Shelf Facility between the Company and The Prudential Insurance Company of America dated as of October 12, 1995, as amended by Amendment to 1995 Note Agreement dated as of February 29, 2000, Amendment to 1995 Note Agreement dated as of March 13, 2000, Amendment to 1995 Note Agreement dated as of June 4, 2000, Amendment No. 5 of 1995 Note Agreement dated as of August 31, 2000, Amendment No. 6 of 1995 Note Agreement dated as of April 3, 2001 and Amendment No. 7 of 1995 Note Agreement dated as of June 29, 2001.

"REFINANCING DEBT" shall mean any Debt, the proceeds of which are applied, directly or indirectly, to refinance all or a portion of the Debt under the Senior Credit Agreement.

"REGISTRATION RIGHTS AGREEMENT" shall mean that certain Registration Rights Agreement, dated as of the date hereof, among the Company, the Purchasers in each such Purchaser's capacity as holder of a Warrant of the Company, in substantially the form of Exhibit C, together with all amendments, modifications or supplements thereto.

"REGULATION T" shall mean Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"REGULATION U" shall mean Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"REGULATION X" shall mean Regulation X of the Board of

Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"REQUIRED HOLDERS" shall mean at any time Purchasers holding at least (1) so long as there are 3 or fewer Purchasers, 100%, (2) otherwise, 66 2/3's% of the aggregate outstanding principal amount of the Notes; provided, however, that such calculation shall be made without including the principal amount of Notes held by any Purchasers which are in default with respect to their obligations to the Collateral Agent, any Obligor or any Purchaser.

"SECURITY AGREEMENT" shall mean that certain Security Agreement of even date herewith, substantially in the form of Exhibit F, executed and delivered by the Obligors and the Purchasers, as amended or supplemented from time to time.

"SECURITY DOCUMENTS" shall mean the Blocked Account Agreements, the Domestic Stock Pledge Agreement, the Foreign Stock Pledge Agreement, the Security Agreement, the Mortgages, and the Waiver Agreements.

"SENIOR CREDIT AGREEMENT" shall have the meaning set forth in the preamble of this Agreement.

"SENIOR DEBt" shall mean and include all obligations (whether now outstanding or hereafter incurred), the payment of which the Company is responsible or liable as obligor, guarantor or otherwise in respect of (i) all payment obligations under the Senior Notes, and the Senior Credit Agreement, in respect of principal, interest, Premium and fees or indemnities, whether now owing or hereafter incurred (including any interest accruing subsequent to the commencement of a proceeding described in Section 10.01(a), regardless of whether the claims of holders of such payment obligations for such interest are allowed in any such proceeding) and (ii) any Refinancing Debt; provided, that the aggregate principal amount of all Senior Debt shall not exceed $40,000,000 and Senior Debt shall not include (a) any Debt of the Company which, by the terms of the instrument evidencing such Debt or under which it is outstanding, is expressly made junior and subordinate in right of payment to any other Debt; (b) Debt of the Company to a Subsidiary of the Company; (c) any liability for federal, state, local or other taxes owed or owing by the Company; and (d) any accounts payable or other liability of the Company to trade creditors.

"SENIOR DEBT DEFAULT" shall mean (i) any default in the payment of any principal of or interest or Premium on any Senior Debt when the same becomes due and payable, or (ii) any other event of default under any agreement evidencing Senior Debt which would entitle the holders of such Senior Debt to accelerate such Senior Debt, including without limitation, any default arising as a result of a Default or Event of Default hereunder.

"SENIOR DEBT DOCUMENTS" shall mean the Senior Credit Agreement and all other Credit Documents (as defined in the Senior Credit Agreement).

"SENIOR DEBT/EBITDA RATIO" shall mean the ratio of Consolidated Senior Debt to Consolidated EBITDA.

"SENIOR LENDERS" shall have the meaning given to such term in the recitals hereof.

"SENIOR OFFICER" shall mean any of the following officers of the Company, regardless of actual title: Chief Executive Officer; Chief Operating Officer; and Chief Financial Officer.

"SENIOR NOTES" shall mean the Revolving Loan Notes and the Term Loan Notes issued pursuant to the Senior Credit Agreement.

"STOCKHOLDERS' EQUITY" shall mean, at any time, the

shareholders' equity of the Company and the Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Company and the Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Company or any of the Subsidiaries. Shareholders' equity generally would include, but not be limited to (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) translation adjustments for foreign currency transactions.

"SUBSIDIARY" shall mean any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

"TERMINATION EVENT" shall mean any one of (i) the occurrence of the Maturity Date, (ii) the payment in whole of the Notes, (iii) the date the Notes are declared to be immediately due and payable pursuant to Section 9.01 following the occurrence of an Event of Default and (iv) the occurrence of a Change of Control.

"THIRD PARTY" shall mean any landlord, warehousemen, servicer, processor, bailee and other third parties which may, from time to time, be in the possession or control of, any Collateral or any property on which any Collateral is or may be located.

"TRADE STYLES" has the meaning set forth in Section 5.29.

"TRANSACTION DOCUMENTS" shall mean, collectively, this Agreement, the Notes, the Warrants, the Assignment Agreement, the Intercreditor Agreement, the Registration Rights Agreement, the Security Documents and any and all other documents, instruments, certificates and agreements executed and/or delivered by the Company in connection herewith, or any one, more, or all of the foregoing, as the context shall require, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted in accordance with the provisions hereof or thereof.

"UCC" shall mean the Uniform Commercial Code Secured Transactions of Georgia (O.C.G.A. Art. 11-9) (or, if the law of a different state is selected in any Security Document as the governing law for purposes of such Security Document, the Uniform Commercial Code Secured Transactions of such other state as to such Security Document), as in effect on the date hereof.

"VOTING STOCK" shall mean, securities or other equity interest of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election or removal of corporate directors or persons (such as general partners or managers) performing similar functions in the case of business entities other than corporations.

"WACHOVIA" shall mean Wachovia Bank, N.A., a national banking association, and its successors.

"WAIVER AGREEMENT" shall mean the Waiver and Agreement executed and delivered by any Third Party waiving or subordinating its Third Party Claims, and making certain other agreements in regard to the Collateral, all on terms satisfactory to the Collateral Agent in all respects.

"WARRANT" shall mean any common stock purchase warrant issued and delivered by the Company on the Closing Date, substantially in the form of Exhibit B hereto, and each common stock purchase warrant issued and delivered in substitution or exchange for such Warrant.

"WHOLLY OWNED SUBSIDIARY" shall mean any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Company.

SECTION 1.02. YIELD-MAINTENANCE TERMS.

"CALLED PRINCIPAL" shall mean, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 2.05(b), is declared to be immediately due and payable pursuant to Section 9.02, as the context requires, or where mutually agreed by the Obligors and the Purchasers.

"DISCOUNTED VALUE" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (as converted to reflect the periodic basis on which interest on the Note is payable, if payable other than on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"REINVESTMENT YIELD" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the Y-M Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "PAGE 678" on the Telerate

(or such other display as may replace Page 678 on the Telerate) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Y-M Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between yields reported for various maturities. The Reinvestment Yield will be rounded to that number of decimal places as appears in the interest rate for the Notes.

"REMAINING-AVERAGE LIFE" shall mean, with respect to the Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"SETTLEMENT DATE" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 2.05(b) or is declared to be immediately due and payable pursuant to Section 9.02, as the context requires.

"TELERATE" shall mean Telerate, Inc. or such other nationally

recognized service providing comparable services as you may select as a substitute therefor.

"YIELD-MAINTENANCE AMOUNT" shall mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield-Maintenance Amount shall in no event be less than zero.

"Y-M BUSINESS DAY" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

SECTION 1.03. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall have the meanings generally attributed to such terms under GAAP; provided, however, if

GAAP should change after the Closing Date and either the Company or the Required Holders shall object to the application of any such change herein, then, GAAP shall be applied on a basis consistent with the Company's most recent financial statements for which no objection was made, and the Company shall modify its financial reporting hereunder accordingly.

ARTICLE II.

ISSUANCE AND PURCHASE OF THE NOTE AND WARRANT

SECTION 2.01. AUTHORIZATION OF ISSUANCE OF THE NOTES AND WARRANTS. The Company has duly authorized the issuance and sale, on the terms and subject to the conditions set forth herein, of Notes in the aggregate principal amount not to exceed the amount specified in the Purchaser Schedule hereto opposite each Purchaser's name, to be dated as of the date of the Closing Date. The Company has duly authorized the issuance and sale, on the terms and subject to the conditions set forth herein, of the Warrants for the purchase of the percentage specified in the Purchaser Schedule hereto opposite each Purchaser's name of the Common Stock of the Company on a Fully Diluted Basis.

SECTION 2.02. PURCHASE AND SALE OF NOTES AND WARRANTS. The Company hereby agrees to issue to each Purchaser and, subject to the terms and conditions set forth herein and in reliance upon the representations and warranties of the Company contained herein, such Purchaser agrees to exchange certain obligations and warrants outstanding under the Refinanced Agreements for the Notes and the Warrants. The Notes and Warrants shall be issued for the deemed aggregate purchase price as specified in the Purchaser Schedule hereto opposite such Purchaser's name.

SECTION 2.03. ALLOCATION OF PURCHASE PRICE. Under both generally accepted accounting standards consistently applied and the regulations of the Internal Revenue Service, the issuance to each Purchaser of the Notes and the Warrants for an aggregate purchase price equal to the aggregate principal amount of the Notes being so purchased results in the creation of "original issue discount" on the Notes (which original issue discount may also be deemed to constitute the value of the Warrants issued in connection with the issuance of the Notes), and such regulations require the determination of the value of the Warrants so delivered. Pursuant to generally accepted accounting principles consistently applied and applicable Treasury Regulations, the Company and each Purchaser agree that the aggregate amount of such original issue discount and the aggregate value of the Company's Warrants is as specified in the Purchaser Schedule hereto opposite such Purchaser's name, which original issue discount and value of such Warrant shall be allocated to the Notes. The Company and each Purchaser agree to recognize and adhere to the determinations and allocations of original issue discount and valuation of the Warrant set forth herein for all federal and state income tax purposes. In the event of any proposed transfer of any Note by a Purchaser, such Purchaser shall, prior to such transfer, mark such Note with a legend pertaining to the original issue discount in the form required by Treasury Regulation Section 1.1275-3(b)(1).

SECTION 2.04. INTEREST ON THE NOTE.

(a) RATE AND PAYMENT. Interest shall accrue at a rate per annum equal to 10% payable in immediately available funds and 1.65% payable by delivery of a promissory note in

substantially the form of Exhibit A-2 hereto (a "PIK NOTE"). Interest shall be payable (i) on the last Business Day of each calendar month, commencing on July 31, 2001 and continuing thereafter until the Notes have been paid in full, (ii) upon any prepayment of any Note to the date of prepayment on the amount prepaid, and (iii) at maturity of the Note, whether by acceleration or otherwise. Notwithstanding anything else contained in this Section 2.04(a), the Company shall make payments with respect to the Notes in immediately available funds at such times and in such minimum amounts as are necessary for the Notes not to have "significant original issue discount" as that term is defined in Section 163(i) of the Code. For this purpose, the issue price of the Notes shall be computed by assuming that the fair market value of the Warrant is as set forth on the Purchaser Schedule hereto.

(b) DEFAULT RATE. After maturity, whether by acceleration or otherwise, interest shall accrue on the Notes at the Default Rate set forth in Section 3.05 below, all of which shall be paid in immediately available funds.

SECTION 2.05. MATURITY OF THE NOTE; PREPAYMENTS.

(a) MATURITY. The principal amount of the Note shall be payable in one installment on the Maturity Date, unless sooner accelerated in accordance with the terms hereof.

(b) OPTIONAL PREPAYMENT OF NOTES. At any time and from time to time after the Senior Debt has been indefeasibly paid in full, the Company may, at its option, upon notice as set forth in clause (d) of this Section 2.05, prepay all of the Notes upon the concurrent payment of the amount due under Section 2.06 hereof.

(c) PARTIAL PREPAYMENTS OF NOTES. Partial prepayments of the Notes shall not be permitted.

(d) NOTICE OF OPTIONAL PREPAYMENT OF NOTES. In the case of a prepayment, the Company shall give written notice thereof to each holder of any Note not less than 30 nor more than 60 days prior to the date fixed for the prepayment. Such notice shall set forth: (1) the date fixed for prepayment; (2) the aggregate principal amount of Notes; and (3) the aggregate principal amount of Notes held by such holder and the amount of accrued interest to be paid to such holder on such date and amounts due under Section 2.06.

(e) MATURITY; ACCRUED INTEREST; SURRENDER, ETC. OF NOTES. In the case of a prepayment of all of the Notes, the principal amount to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and amounts due under Section 2.06. Any Note prepaid in full shall be marked "Paid in full", surrendered to the Company at the Company's principal place of business promptly following prepayment and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

(f) PURCHASE OF NOTES. The Company will not, and will not permit any Subsidiary or Affiliate of the Company to, directly or indirectly, purchase or otherwise acquire, or offer to purchase or otherwise acquire, any outstanding Notes except by way of payment or prepayment in accordance with the provisions of the Notes and this Agreement.

(g) PAYMENT ON NON-BUSINESS DAYS. If any amount hereunder or under the Notes shall become due on a day which is not a Business Day, such payment shall be due on the next succeeding Business Day.

(h) WARRANT OWNERSHIP. Prepayment or transfer of any Note shall not preclude a Purchaser from continuing to own a Warrant or from exercising its rights pursuant to such Warrant or the Registration Rights Agreement at a later date.

SECTION 2.06. ADDITIONAL PAYMENTS.

(a) TERMINATION EVENT. Upon the occurrence of a Termination Event, the Company shall immediately pay to the Purchasers an amount equal to $8,000,000 in cash as additional compensation to the Purchasers for the consummation of the transactions contemplated hereby. Once paid, such amount shall be fully earned and nonrefundable. Such payment shall be shared by the Purchasers in the same proportion as the principal amount of the Notes held by each Purchaser bears to the aggregate principal amount of the Notes held by all Purchasers.

(b) PREPAYMENT OF NOTES. If the Notes are prepaid in whole prior to the Maturity Date for any reason whatsoever including acceleration, the Company shall pay to the Purchasers the PIK Equivalent in cash as additional compensation to the Purchasers for the consummation of the transactions contemplated hereby. Once paid, such amount shall be fully earned and nonrefundable.

ARTICLE III.

OTHER PROVISIONS RELATING TO THE NOTE

SECTION 3.01. MAKING OF PAYMENTS. The Company shall make each payment hereunder and under the Note not later than 2:00 p.m. (Atlanta, Georgia time) on the day when due in Dollars in same day funds to the Purchasers as provided in the Purchaser Schedule hereto. All payments received after that hour shall be deemed to have been received by a Purchaser on the next following Business Day.

SECTION 3.02. INCREASED COSTS. In the event that any change in any applicable law, treaty or governmental regulation, or in the interpretation or application thereof, or compliance by a Purchaser with any guideline, request or directive (whether or not having the force of law) from any central bank or other U.S. or foreign financial, monetary or other governmental authority, shall: (a) subject such Purchaser to any tax of any kind whatsoever with respect to this Agreement, the Notes or the Warrants or change the basis of taxation of payments to such Purchaser of principal, interest, fees or any other amount payable hereunder (except for changes in the rate of tax on the overall net income of such Purchaser); (b) impose, modify, or hold applicable any reserve, special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or loans by, or other credit extended by or committed to be extended by any office of such Purchaser, including, without limitation, pursuant to Regulation D of the Board of Governors of the Federal Reserve System; or (c) impose on such Purchaser any other condition with respect to this Agreement, the Notes or the Warrants hereunder; and the result of any of the foregoing is to increase the cost to such

Purchaser of making or maintaining the Notes or the Warrants or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of the Notes or the Warrants, then, in any case, the Company shall promptly pay from time to time, upon demand of such Purchaser, such additional amounts as will compensate such Purchaser for such additional cost or such reduction, as the case may be. Such Purchaser shall certify the amount of such additional cost or reduced amount to the Company, and such certification shall be conclusive absent manifest error. In determining any such amount, such Purchaser may use any reasonable averaging and attribution methods.

SECTION 3.03. CAPITAL ADEQUACY. If, after the date of this Agreement, a Purchaser shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Purchaser with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Purchaser's capital (whether on this credit facility or otherwise) as a consequence of its obligations hereunder to a level below that which such Purchaser could have achieved but for such

adoption, change or compliance (taking into consideration such Purchaser's policies with respect to capital adequacy) by an amount deemed by such Purchaser to be material, then from time to time, promptly upon demand by such Purchaser, the Company shall pay such Purchaser such additional amount or amounts as will compensate such Purchaser for such reduction. A certificate of such Purchaser claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and such certification shall be conclusive absent manifest error. In determining any such amount, such Purchaser may use any reasonable averaging and attribution methods.

SECTION 3.04. SURVIVAL. The obligations of the Company under Sections 3.02 and 3.03 shall survive termination of this Agreement and payment of the Note.

SECTION 3.05. DEFAULT RATE OF INTEREST. If an Event of Default shall occur and be continuing, then interest shall accrue on such unpaid principal or any other Obligation from the due date until and including the date on which such principal is paid in full at a rate per annum that is two percent (2%) in excess of the rate of interest otherwise payable hereunder (the "DEFAULT RATE") and shall be payable in immediately available funds. Interest calculated at the Default Rate shall be due and payable in immediately available funds upon demand by a Purchaser.

SECTION 3.06. CALCULATION OF INTEREST. Interest payable on the Note shall be calculated on the basis of a year of 360 days and shall be payable for the actual number of days elapsed. If the date for any payment of principal is extended (whether by operation of this Agreement, any provision of law or otherwise), interest shall be payable for such extended time at the rates provided herein. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be due on the next succeeding Business Day.

SECTION 3.07. USURY. In no event shall the amount of interest due or payable on any Obligation, when aggregated with all amounts payable by the Company under any of the

Transaction Documents that are deemed or construed to be interest, exceed the maximum rate of interest allowed by Applicable Law and, in the event any such payment is paid by the Company or received by a Purchaser, then such excess sum shall be credited as a payment of principal, unless the Company, as applicable, shall notify such Purchaser in writing that it elects to have such excess sum returned to it forthwith. It is the express intent of the parties hereto that the Company not pay, and the Purchasers not receive, directly or indirectly, in any manner whatsoever, interest in excess of that which may be lawfully paid by the Company under Applicable Law.

ARTICLE IV.

CONDITIONS TO PURCHASE OF THE NOTE AND THE WARRANT

The obligations of the Purchasers under this Agreement are subject to the satisfaction of each of the following conditions on the Closing Date:

SECTION 4.01. NO INJUNCTION, ETC. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of, this Agreement or the consummation of the transactions contemplated hereby, or which, each Purchaser's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement.

SECTION 4.02. DOCUMENTATION. Each Purchaser shall have received, on or prior to the Closing Date, the following, each in the form and substance satisfactory to such Purchaser and its counsel and duly executed:

(a) this Agreement;

(b) the Note or Notes in the principal amount specified in the Purchaser Schedule opposite such Purchaser's name;

(c) the Warrants for the purchase of the percentage specified in the Purchaser Schedule opposite such Purchaser's name of the Common Stock of the Company on a Fully Diluted Basis;

(d) the Registration Rights Agreement;

(e) the Intercreditor Agreement;

(f) the Security Agreement;

(g) a certificate signed by a senior officer of the Company stating that the representations and warranties set forth herein and in any other Transaction Document are true and correct in all material respects on and as of such date with the same effect as though made on and as of such date, stating that the Company is on such date in compliance with all the terms

and provisions of the Transaction Documents on its part to be observed or performed, and stating that on such date after giving effect to the transactions contemplated by this Agreement and the other Transaction Documents and the Senior Debt Documents, no Default or Event of Default, has occurred or is continuing;

(h) all documents which the Purchasers may reasonably request relating to the existence of the Obligors, the corporate authority for and the validity of this Agreement, the Notes, the Warrants and any other Transaction Documents, and any other matters relevant hereto, all in form and substance satisfactory to the Purchasers, including, without limitation, a certificate of each Obligor, signed by the Secretary or an Assistant Secretary of such Obligor, certifying as to the names, true signatures and incumbency of the officer or officers of such Obligor authorized to execute and deliver the Transaction Documents, and certified copies of the following items: (i) the Certificate of Incorporation of such Obligor, and all amendments thereto, certified by the Secretary of State of its incorporation as of a recent date, (ii) Bylaws, (iii) certificates of good standing or valid existence of the Secretary of State of the state of the jurisdiction of its incorporation and of each state in which it is qualified to do business as a foreign corporation, in each case as of a recent date, and (iv) the action taken by the Board of Directors of such Obligor authorizing such Obligor the execution, delivery and performance of this Agreement, the Notes and the other Transaction Documents to which such Obligor is a party;

(i) an opinion letter of Rogers & Hardin LLP, counsel for the Company and it Subsidiaries, dated as of the Closing Date, and covering such additional matters relating to the transactions contemplated hereby as the Purchasers may reasonably request;

(j) certified copies of the executed Senior Debt Documents and evidence that all conditions precedent thereto have been satisfied;

(k) duly executed counterparts of each of the Domestic Stock Pledge Agreement and the Foreign Stock Pledge Agreement, together with the blank stock powers and certificates pertaining thereto (or other evidence of registration or perfection of the security interests of the Collateral Agent), each Waiver Agreement requested by the Collateral Agent and the Collateral Information Certificates, together with acknowledgment copies of duly recorded UCC-3 amendments to existing UCC-1 financing statements filed in connection with the Original Security Agreement, and any new UCC-1 financing statements requested by the Lenders, in each case in form and content satisfactory to the Collateral Agent in all respects, pertaining to the Collateral evidencing recordation thereof in all filing offices deemed necessary by the Collateral Agent and the Blocked Account Agreements;

(l) receipt of a payoff letter from The CIT Group/Commercial Services, Inc. ("CIT") with respect to Debt arising in connection with factoring arrangements, satisfactory to the Collateral Agent to the effect that upon payment of the payoff amount specified therein as to all Debt arising in connection with such factoring arrangements, no loans or advances shall be made thereafter under such factoring arrangements, and that termination statements and other releases as are necessary to satisfy, terminate and release all Liens

obtained thereunder or in connection therewith, other than with respect to Factored Accounts, will be delivered to the Required Holders upon receipt by CIT of such payoff amount;

(m) duly executed counterparts of the Mortgage Amendment, together with such UCC-3 amendments pertaining thereto as the Collateral Agent may reasonably request;

(n) to the extent reasonably available, receipt of lien searches reasonably acceptable to the Required Holders, showing no Liens other than (i) Permitted Encumbrances, and (ii) Liens in favor of The CIT Group/Commercial Services, Inc. to be terminated pursuant to paragraph (l) above;

(o) a sources and uses of funds statement;

(p) duly executed counterparts of an Assignment Agreement of even date herewith, pursuant to which the Company absolutely assigns to the Collateral Agent, for the ratable benefit of the Purchasers, its right, title and interest in and to certain assets described therein in exchange for cancellation of part of the indebtedness outstanding on the Closing Date under the Refinanced Agreements and each notice required thereunder duly executed by the Company;

(q) a certified copy of the Certificate Regarding Second Amended and Restated Articles of Incorporation of the Company, as filed with the Secretary of State of Georgia;

(r) the Purchasers' satisfaction with the management team and board of directors of the Company and the duration of term limits for the board of directors;

(s) the Purchasers' satisfaction with the terms and provisions of a $960,000, 24 month trust account for the benefit of the directors and officers pertaining to the restructuring of the Company;

(t) releases of the Obligors and its Subsidiaries from the Calvin Klein license;

(u) simultaneously with the closing of the transactions contemplated herein, sale of the adult bedding business pursuant to the terms and conditions contained in the term sheet dated April 13, 2001 among the Company and the Senior Lenders pertaining thereto, including, without limitation, (i) the approval of the board of directors of the Company regarding such sale, (ii) the receipt of a copy of the fairness opinion regarding such sale, and (iii) the payment to the Senior Lenders of $8,500,000, less transaction expenses approved by the Senior Lenders, not to exceed $3,000,000, from the proceeds of such sale for application to obligations under the Refinanced Agreements; and

(v) such other documents, instruments and agreements as the Purchasers shall request.

SECTION 4.03. CORPORATE ACTIONS. All corporate and other action required hereunder shall be satisfactory.

SECTION 4.04. NO MATERIAL ADVERSE EFFECT. No Material Adverse Effect has occurred since April 1, 2001.

SECTION 4.05. NO DEFAULT, ETC. No Default or Event of Default shall exist.

SECTION 4.06.REPRESENTATIONS ACCURATE. All representations and warranties made by the Company contained herein or in any other Transaction Document shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the Closing Date.

SECTION 4.07. PAYMENT OF FEES AND EXPENSES. The Company shall have paid all of each Purchaser's fees and expenses (including those of its legal counsel) incurred on or prior to the Closing Date.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

In order to induce each Purchaser to enter into this Agreement, the Company hereby represents and warrants to each such Purchaser, as set forth below:

SECTION 5.01. CORPORATE EXISTENCE AND POWER. The Company and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary (as set forth on Schedule 5.01), and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where any such failure to qualify or have all required governmental licenses, authorizations, consents and approvals does not have and would not reasonably be expected to cause a Material Adverse Effect and would not impede any rights of the Collateral Agent or the Purchasers with respect to the Collateral.

SECTION 5.02. CORPORATE AND GOVERNMENTAL AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by the Company of this Agreement, the Notes and the other Transaction Documents (i) are within the Company's corporate powers, (ii) have been duly authorized by all necessary corporate action, and have been executed on behalf of the Company by duly authorized officers, (iii) require no action by or in respect of or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Articles of incorporation or by-laws of the Company or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of the Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Company (except in favor of the Collateral Agent) or any of the Subsidiaries.

SECTION 5.03. BINDING EFFECT. This Agreement constitutes a valid and binding agreement of the Company enforceable in accordance with its terms, and the Notes and the other Transaction Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Company and the other Obligors, as the case may be, enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

SECTION 5.04. FINANCIAL INFORMATION.

(a) The (i)(x) draft audited consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and its Consolidated Subsidiaries, and (y) unaudited consolidating financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and all Subsidiaries, in each case for the Fiscal Year ending on April 1, 2001, copies of which have been delivered to each of the Purchasers, and (ii) unaudited (x) consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and its Consolidated Subsidiaries, and (y) an opening balance sheet taking into account the restructuring of the Company and its Consolidated Subsidiaries and the sale of its adult bedding line of business to its former management, and the sources and uses statement described in Section 4.02(o), copies of which have been delivered to each of the Purchasers, fairly present, in conformity with GAAP, the consolidated financial position of the Company and its Consolidated Subsidiaries or the consolidating financial position of the Company and the Subsidiaries, as the case may be, as of such dates and their consolidated or consolidating results of operations and cash flows for such periods stated, and accurately reflect the sources and uses described in such sources and uses statement.

(b) Since April 1, 2001, there has been no event, act, condition or occurrence having a Material Adverse Effect.

SECTION 5.05. LITIGATION. There is no action, suit or proceeding pending, or to the knowledge of the Company threatened, against or affecting the Company, any of the other Obligors or any of the Subsidiaries before any court or arbitrator or any governmental body, agency or official which could have a Material Adverse Effect.

SECTION 5.06. COMPLIANCE WITH ERISA.

(a) The Company, the other Obligors and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA.

(b) Neither the Company, the other Obligors nor any member of the Controlled Group is or ever has been obligated to contribute to any Multiemployer Plan.

SECTION 5.07. COMPLIANCE WITH LAWS; PAYMENT OF TAXES. The Company and the Subsidiaries are in material compliance with all applicable laws, regulations and similar requirements of governmental authorities (including, without limitation, the Fair Labor Standards Act of 1938, as amended), except as set forth in Section 5.12 or where such compliance is being contested in good faith through appropriate proceedings, and except where any such failure to comply (other than with respect to the Fair Labor Standards Act of 1938, as amended) does not have and would not reasonably be expected to cause a Material Adverse Effect and would not impede any rights of the Collateral Agent with respect to the Collateral and the Obligors have adopted and continue to follow a compliance program satisfactory to assure the accuracy of the

foregoing statement. There have been filed on behalf of the Company and the Subsidiaries all federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Company or any Subsidiary have been paid. The charges, accruals and reserves on the books of the Obligors and the Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Obligors, adequate. United States income tax returns of the Obligors and the Subsidiaries have been examined and closed through the Fiscal Year ended on or about March 31, 1997.

SECTION 5.08. INVESTMENT COMPANY ACT. Neither the Company nor any of the Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 5.09. PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Company nor any of the Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

SECTION 5.10. OWNERSHIP OF PROPERTY; LIENS. The Company and the Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in Section 7.10.

SECTION 5.11. NO DEFAULT. Neither the Company nor any of the Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 5.12.ENVIRONMENTAL MATTERS.

(a) Neither the Company nor any Subsidiary is subject to any Environmental Liability which could have or cause a Material Adverse Effect and neither the Company nor any Subsidiary has been designated as a potentially

responsible party under CERCLA or under any state statute similar to CERCLA. None of the Real Properties or any other real property owned, leased or operated by the Company or any Subsidiary (collectively, the "AGGREGATE REAL PROPERTIES") has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. ss. 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA.

(b) No Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Aggregate Real Properties or are otherwise present at, on, in or under the Aggregate Real Properties, or, to the best of the knowledge of the Company, at or from any adjacent site or facility, except for Hazardous Materials, such as cleaning solvents, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed, or otherwise handled in minimal amounts in the ordinary course of business in substantial compliance with all applicable Environmental Requirements.

(c) The Company and each of the Subsidiaries have procured all Environmental Authorizations necessary for the conduct of its business, and is in substantial compliance with all Environmental Requirements in connection with the operation of the Aggregate Real Properties and the Company's and each of the Subsidiary's respective businesses.

SECTION 5.13. CAPITAL STOCK. All Capital Stock, Redeemable Preferred Stock, debentures, bonds, notes and all other securities of the Company and the Subsidiaries presently issued and outstanding are validly and properly issued in accordance with all applicable laws, including, but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws, or for which the applicable statute of limitations has expired. The issued shares of Capital Stock and Redeemable Preferred Stock of the Company's Wholly Owned Subsidiaries are owned by the Company free and clear of any Lien or adverse claim. At least a majority of the issued shares of capital stock of each of the Company's other Subsidiaries (other than Wholly Owned Subsidiaries) is owned by the Company, free and clear of any Lien or adverse claim.

SECTION 5.14. MARGIN STOCK. Neither the Company nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Notes will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation T, U or X.

SECTION 5.15. INSOLVENCY. After giving effect to the execution and delivery of the Transaction Documents and the transactions contemplated thereby and the incurrence of the Obligations under this Agreement: (i) neither the Company nor the other Obligors will (x) be "insolvent," within the meaning of such term as used in O.C.G.A. ss. 18-2-22 or as defined in ss. 101 of the Bankruptcy Code, or Section 2 of either the "UFTA" or the "UFCA", or as defined or used in any "Other Applicable Law" (as those terms are defined below), or (y) be unable to pay its debts generally as such debts become due within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA or Section 6 of the UFCA, or (z) have an unreasonably small capital to engage in any business or transaction, whether current or contemplated, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA or Section 5 of the UFCA; and (ii) the Obligations of the Company under the Transaction Documents will not be rendered avoidable under any Other Applicable Law. For purposes of this Section 5.15, "UFTA" means the Uniform Fraudulent Transfer Act, "UFCA" means the Uniform Fraudulent Conveyance Act, and "Other Applicable Law" means any other applicable law pertaining to fraudulent transfers or acts voidable by creditors, in each case as such law may be amended from time to time.

SECTION 5.16. INSURANCE. The Company and each of the Subsidiaries have (either in the name of the Company or in such Subsidiary's own name), with financially sound and reputable insurance companies and with a Best's Rating of at least "A", insurance in at least such amounts and against at least such risks (including on all its property, and business interruption, public liability and worker's compensation) as are usually insured against in the same general area by companies of established repute engaged in the same or similar business and

as required by the Security Documents.

SECTION 5.17. PURCHASE OF COLLATERAL. Within the 12 months period preceding the Closing Date, none of the Obligors has purchased any of the Collateral in a bulk transfer or in a transaction which was outside the ordinary course of the business of such Obligor's seller.

SECTION 5.18. POSSESSION OF PERMITS. The Company and each Subsidiary possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of any of its properties and assets, and neither the Company nor any Subsidiary is in violation of any thereof except where any such failure to possess any of the foregoing does not have and would not reasonably be expected to cause a Material Adverse Effect and would not impede any rights of the Collateral Agent or Purchasers with respect to the Collateral.

SECTION 5.19. LABOR DISPUTES. (i) There is no collective bargaining agreement or other labor contract covering employees of the Company or any Subsidiary, (ii) no such collective bargaining agreement or other labor contract is scheduled to expire during the term of this Agreement, (iii) no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of any of the Company or any Subsidiary or for any similar purpose and (iv) there is no pending, or to the Company's knowledge, threatened, strike, work stoppage, material unfair labor practice claim, or other material labor dispute against or affecting the Company or any Subsidiary or their respective employees.

SECTION 5.20. SURETY OBLIGATIONS. Except as shown on Schedule 5.20, neither the Company nor any of its Subsidiaries is obligated as surety or indemnitor under any surety or similar bond or other contract issued or entered into to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

SECTION 5.21. RESTRICTIONS. Neither the Company nor any of its Subsidiaries is a party or subject to any contract, agreement, or charter or other corporate restriction, which materially and adversely affects its business or the use or ownership of any of its assets. Neither the Company nor any of its Subsidiaries is a party or subject to any contract or agreement which restricts its right or ability to incur Debt, none of which prohibit the execution of or compliance with this Agreement or the other Transaction Documents by the Company or any of its Subsidiaries, as applicable.

SECTION 5.22. LEASES. Schedule 5.22 is a complete listing of all material capitalized and operating leases of the Company and its Subsidiaries on the date hereof. Each of the Company and its Subsidiaries is in compliance in all material respects with all of the terms of each of its respective capitalized and operating leases.

SECTION 5.23. TRADE RELATIONS. There exists no present condition or state of facts or circumstances which would materially adversely affect the Company or any of its Subsidiaries or prevent the Company or any of its Subsidiaries from conducting its business after the consummation of the transactions contemplated by this Agreement in substantially the same manner in which they have heretofore been conducted, and, to the best of the Company's knowledge, there exists no actual or threatened termination, cancellation or limitation of, or any

modification or change in, the business relationship between the Company or any of its Subsidiaries and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of the Company or any of its Subsidiaries, or with any material supplier.

SECTION 5.24. CAPITAL STRUCTURE. As of the date hereof, Schedule 5.24 states (i) the correct name of each of the Subsidiaries of the Company and the Company, its jurisdiction of incorporation and the percentage of its Capital

Stock and Redeemable Preferred Stock owned by the Company, (ii) the name of each of the Company's and the Company's Affiliates and the nature of such affiliation, (iii) the number, nature and holder of all Capital Stock and Redeemable Preferred Stock of the Company and each Subsidiary of the Company, and (iv) the number of authorized, issued and treasury shares of the Company and each Subsidiary of the Company. The Company has good title to all of the shares it purports to own of the Capital Stock and Redeemable Preferred Stock of each of its Subsidiaries, free and clear in each case of any Lien other than Permitted Encumbrances. All such shares have been duly issued and are fully paid and non-assessable.

SECTION 5.25. FEDERAL TAXPAYER IDENTIFICATION NUMBER. The Company's and the other Obligors' federal taxpayer identification numbers are as indicated on the Collateral Information Certificates.

SECTION 5.26. BONA FIDE ACCOUNTS. Each item of the Accounts Receivable Collateral and each Factored Account arises or will arise under a contract between an Obligor and the respective Account Debtor, or from the bona fide sale or delivery of goods to or performance of services for the Account Debtor.

SECTION 5.27. GOOD TITLE TO COLLATERAL. The Obligors have good title to the Collateral free and clear of all Liens, other than any Permitted Encumbrances, and no assertable financing statement covering the Collateral is on file in any public office other than any evidencing Permitted Encumbrances.

SECTION 5.28. RIGHT TO ASSIGN AND GRANT SECURITY INTEREST. Each of the Obligors has full right, power and authority to make the assignment pursuant to this Agreement and the other Transaction Documents of the Accounts Receivable Collateral and to grant a security interest in all of the Collateral.

SECTION 5.29. TRADE STYLES. Except as may be set forth on the Collateral Information Certificates, the Company and the other Obligors use no trade names or trade styles (herein, "TRADE STYLES") in their business operations and each Obligor warrants that the same shall continue, except for any additional Trade Styles after the date hereof with respect to which the Company has given the Collateral Agent at least 30 days prior written notice thereof. In any event, to the extent that, now or hereafter, the Obligors use any Trade Styles, the Company hereby represents and warrants in favor of the Collateral Agent that: (i) all of the accounts receivable and proceeds with respect thereto arising out of sales under the Trade Styles shall be the property of, and belong to, the Obligors and shall constitute Accounts Receivable Collateral; (ii) each of the Trade Styles is a trade name and trade style (and not an independent corporation or other legal entity) by which the Obligors identify and sell certain of its products or services

and under which they may conduct a portion of their business; (iii) all accounts receivable, proceeds thereof, and returned merchandise which arise from the sale of products invoiced under the names of any of the Trade Styles shall be owned solely by the Obligors and shall be subject to the terms of this Agreement as they relate to Accounts Receivable Collateral; and (iv) the Company hereby appoints the Collateral Agent as its attorney-in-fact to file such certificates disclosing the Company's use of the Trade Styles and to take such other actions on its behalf as are necessary to comply with the statutes of any states relating to the use of fictitious or assumed business names, to the extent that the Company fails to do so.

SECTION 5.30. ACCOUNT DEBTOR CAPACITY AND SOLVENCY. Each Account Debtor hereunder (a) had the capacity to contract at the time any contract or other document giving rise to the account was executed and (b) such Account Debtor was not and is not "insolvent" as that term is defined in Section 5.15.

SECTION 5.31. PROCEEDINGS WITH RESPECT TO ACCOUNTS. There are no proceedings or actions which are threatened or pending against any Account Debtor which are reasonably likely to have a material adverse change in such Account Debtor's financial condition or the collectibility of such account.

SECTION 5.32. LOCATION OF COLLATERAL. As of the date hereof, the Collateral consisting of goods of the Obligors is situated only at one or more of the Collateral Locations.

SECTION 5.33. MATERIAL CONTRACTS. Schedule 5.33 sets forth a complete listing of all Material Contracts. Each Obligor is in compliance in all material respects with all terms and provisions of each Material Contract to which it is a party.

SECTION 5.34. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The Company covenants, warrants and represents to each of the Purchasers that all representations and warranties of the Company and the other Obligors contained in this Agreement or any of the other Transaction Documents shall be true at the time of the execution of this Agreement and the other Transaction Documents, and shall survive the execution, delivery and acceptance thereof by the Purchasers and the parties thereto and the closing of the transactions described therein or related thereto.

SECTION 5.35. FORCE MAJEURE. None of the Obligors' business is suffering from effects of fire, accident, strike, drought, storm, earthquake, embargo, tornado, hurricane, act of God, acts of a public enemy or other casualty that would have a Material Adverse Effect.

SECTION 5.36. SENIOR NOTES. The Obligations, as and when incurred, shall be subordinate in right of payment to all of the principal of, interest on, and all other amounts payable in respect of, the Senior Notes, the Liens of the Collateral Agent securing the Obligations shall be subordinate and junior to the Liens securing the Senior Notes pursuant to the Intercreditor Agreement, and the Obligations shall be subject to the subordination provisions set forth herein.

SECTION 5.37. OFFERING OF NOTE AND WARRANTS. Neither the Company nor, to the best knowledge of the Company, anyone acting on its behalf has offered the Note, the Warrants or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers. Neither

the Company nor any of its Subsidiaries nor, to the best knowledge of the Company, anyone acting on their behalf has taken, or will take, any action which would subject the issuance or sale of the Note and the Warrants to Section 5 of the Securities Act of 1933, as amended or the registration or qualification provisions of the blue sky laws of any state.

SECTION 5.38 REGISTRATION RIGHTS. As of the Closing Date, except as provided in the Registration Rights Agreement, the Company is under no obligation to register under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, any of its presently outstanding securities or any of its securities that may subsequently be issued.

SECTION 5.39 DISCLOSURE. Neither this Agreement nor any other document, certificate or statement furnished to the Purchasers by or on behalf of any Obligor in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to the Company or any of the other Obligors which materially adversely affects the business, property or assets, or financial condition of the Company or any such Obligor which has not been set forth in this Agreement or in the other documents, certificates and written statements furnished to the Purchasers by or on behalf of the Company prior to the date hereof in connection with the transactions contemplated hereby.

ARTICLE VI.

AFFIRMATIVE COVENANTS

The Company covenants to each Purchaser that from and after the date hereof, and so long as any amounts remain unpaid on account of any of the Obligations or this Agreement remains effective (whichever is the last to occur), the Company will comply (and cause each of its Subsidiaries to comply) with the affirmative covenants set forth below:

SECTION 6.01. INFORMATION. The Company will deliver to each of the Purchasers:

(a) within 30 days after the Closing Date, the audited consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and its Consolidated Subsidiaries for the Fiscal Year ending on April 1, 2001, and as soon as available and in any event within 90 days after the end of each subsequent Fiscal Year, (i) audited consolidated financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and its Consolidated Subsidiaries, and (ii) unaudited consolidating financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and all Subsidiaries, in each case as of the end of such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, with the audited such statements being certified by the Certified Public Accountants, and with such certification to be free of exceptions and qualifications not acceptable to the Required Holders;

(b) as soon as available, and in any event within 40 days after the end of each Fiscal Month for the first 24 Fiscal Months after the Closing Date, and 30 days after the end of each Fiscal Month thereafter, and within 45 days after the end of each Fiscal Quarter, (i) consolidated

financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and its Consolidated Subsidiaries, and (ii) consolidating financial statements (including the balance sheet and statements of income, shareholders' equity and cash flows) of the Company and all Subsidiaries, in each case as of the end of such Fiscal Month and Fiscal Quarter, as the case may be, and for the portion of the Fiscal Year ending on such date, setting forth in each case in comparative form the figures for the corresponding Fiscal Month and Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by a Senior Officer;

(c) simultaneously with the delivery of each set of financial statements referred to in paragraphs (a) and (b) above, a certificate (a "COMPLIANCE CERTIFICATE"), of the Senior Officer (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Section 8.01, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of annual financial statements referred to in paragraph (a) above, (i) a statement of the Certified Public Accountants to the effect that (A) such accountants acknowledge and agree that the Purchasers may rely upon such financial statement in the administration of this Agreement, and (B) nothing has come to their attention to cause them to believe that any Default existed on the date of such financial statements, and (ii) a copy of any management letter furnished to the Company by the Certified Public Accountants;

(e) as soon as available and in no event later than the end of the Fiscal Year of each Obligor, projections of the Obligors and their Subsidiaries for the forthcoming Fiscal Year, and set forth Fiscal Quarter by Fiscal Quarter, together with all material assumptions made in connection therewith;

(f) promptly, but in any event within 5 Domestic Business Days after the Company becomes aware of the occurrence of any Default, a certificate of the Senior Officer setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(g) promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Company shall have filed with the Securities and Exchange Commission;

(i) if and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV

of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(j) written notice of the following:

(i) promptly after the Company's learning thereof, of (A) the commencement of any litigation affecting the Company or any other Obligor or any of their respective assets, whether or not the claim is considered by the Company to be covered by insurance, and (B) the institution of any administrative proceeding which in either case of clause (A) or (B), if decided adversely, would have a Material Adverse Effect; and

(ii) at least 30 days prior thereto, of the opening of any new office or place of business of any Obligor or the closing of any existing office or place of business of any Obligor; and

(iii) promptly after the Company's learning thereof, of any labor dispute to which the Company or any other Obligor may become a party, or any strikes or walkouts relating to any of its plants or other facilities, which in either case will have a Material Adverse Effect, and the expiration of any labor contract to which it is a party or by which it is bound; and

(iv) promptly after the occurrence thereof, of any default by any obligor under any note or other evidence of indebtedness payable to the Company or any other Obligor exceeding $250,000; and

(v) promptly after the rendition thereof, of any judgment in an amount exceeding $250,000 rendered against the Company or any other Obligor; and

(vi) promptly after the Company's learning thereof, knowledge of any and all Environmental Liabilities, pending, threatened or anticipated Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Aggregate Real Properties or any adjacent property, and all facts, events, or conditions that could lead to any of the foregoing; and

(vii) promptly after the Company's learning thereof, of any default by the Company or any other Obligor under the Senior Debt Documents or of any material default under any note, indenture, loan agreement, mortgage, lease, deed, guaranty or other similar agreement relating to any Debt of any Obligor exceeding $250,000; and

(viii) promptly upon the execution thereof, of any amendment to the Senior Credit Agreement, or other agreement governing or pertaining to such Senior Debt, entered into by any Obligor as permitted by Section 7.12(d), and such Obligor shall send the Purchasers a copy thereof promptly thereafter;

(k) from time to time such additional information regarding the financial position or business (including, without limitation, tax returns and bank statements) of the Company and the Subsidiaries as the Purchasers may reasonably request.

SECTION 6.02. INSPECTION OF PROPERTY, BOOKS AND RECORDS.

(a) The Company will (i) keep, and cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; and (ii) permit, and cause each Subsidiary to permit, any of the Purchasers (at the Company's expense if a Default or Event of Default is in existence or at such Purchaser's respective expense, as the case may be, prior to the occurrence of a Default or Event of Default) to visit and inspect any of their respective properties, verify information with any Person, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and the Certified Public Accountants, the Company agreeing to cooperate and assist in such visits and inspections, in each case prior to the occurrence of a Default, at such reasonable times and as often as may reasonably be requested, and after the occurrence of a Default, at any time and without prior notice.

(b) In addition to the rights granted the Purchasers pursuant to Section 6.02(a), the Collateral Agent (or any person or persons designated by it) shall, in its sole discretion, have the right to call at any place of business of the Obligors at any time and without prior notice, and, without hindrance or delay, examine, inspect, and audit all or any portion of the Collateral and to examine, inspect, audit and check and make copies of and extracts from the Obligors' books, records, journals, orders, receipts and any correspondence and other data relating to the Collateral, to the Obligors' business or to any other transactions between the parties hereto.

(c) The Collateral Agent shall have the right, on its own or at the direction of the Required Holders, to conduct field audits of the Collateral, and at the expense of the Company; provided that so long as no Default or Event of Default exists, no more than 1 such field audit shall be conducted in any Fiscal Quarter.

SECTION 6.03. MAINTENANCE OF EXISTENCE AND MANAGEMENT. The Company shall, and shall cause each Subsidiary, to maintain (i) their corporate existence and carry on their business in substantially the same manner and in substantially the same fields as such business is now carried on and maintained, except as permitted by Sections 7.01 and 7.02, (ii) their respective corporate charters, by-laws, partnership agreements, operating agreements and other similar documents and agreements relating to their legal existence and organization, and not permit any amendment or other modification thereto except for any amendment or modification that would not affect the Obligations or result in a Material Adverse Effect, and (iii) executive management having sufficient skill and experience in the Company's and the Subsidiaries' industry to manage the Company and the Subsidiaries competently and efficiently.

SECTION 6.04. USE OF PROCEEDS. On the Closing Date, the entire amount of the Notes, will be used to refinance in part amounts outstanding under the Refinanced Agreements, and the security interest and liens under the Original Security Agreement, the Original Stock Pledge Agreement and the Mortgages shall be continued without interruption to secure the Obligations

pursuant to the Domestic Stock Pledge Agreement, the Security Agreement and the Mortgages. No portion of the proceeds of the Notes will be used by the Company or any Subsidiary (i) in connection with, whether directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, unless such tender offer or other acquisition is to be made on a negotiated basis with the approval of the Board of Directors of the Person to be acquired, and the provisions of Section 7.09 would not be violated, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, or (iii) for any purpose in violation of any applicable law or regulation.

SECTION 6.05. COMPLIANCE WITH LAWS; PAYMENT OF TAXES. The Company will, and will cause each of the Subsidiaries and each member of the Controlled Group to, comply with applicable laws (including but not limited to ERISA and the Fair Labor Standards Act of 1938, as amended), regulations and similar requirements

of governmental authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings diligently pursued and except where failure to comply would not have and would not reasonably be expected to cause a Material Adverse Effect. The Company will, and will cause each of the Subsidiaries to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a lien against the property of the Company or any Subsidiary, except liabilities being contested in good faith and against which, if requested by the Collateral Agent, the Company or such Subsidiary will set up reserves in accordance with GAAP.

SECTION 6.06. INSURANCE; NET CASUALTY/INSURANCE PROCEEDS.

(a) The Company will maintain, and will cause each of the Subsidiaries to maintain (either in the name of the Company or in such Subsidiary's own name), with financially sound and reputable insurance companies acceptable to the Required Holders and with a Best's Rating of at least "A", insurance on all of their property in at least such amounts and against at least such risks (including on all its property, public liability and worker's compensation, and business interruption insurance) as are usually insured against in the same general area by companies of established repute engaged in the same or similar business and as required by the Security Documents. The Company shall deliver the originals or copies (which copies shall be certified if requested by the Required Holders) of such policies to the Required Holders with satisfactory lender's loss payable endorsements naming the Collateral Agent for the Purchasers, as sole loss payee, assignee and additional insured, as its interests may appear. Each policy of insurance or endorsement shall contain a clause (i) not permitting cancellation by the Company without the prior written consent of the Required Holders, and (ii) requiring the insurer to give not less than 30 days prior written notice to the Required Holders in the event of cancellation or non-renewal by the insurance company of the policy for any reason whatsoever. In addition, the Company will exercise commercially reasonable efforts to obtain, within 90 days of the Closing Date, a further endorsement to each such policy specifying that the interest of the Collateral Agent shall not be impaired or invalidated by any act or neglect of the Obligors or the owner of the property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. Upon the date of this Agreement, and from time to time thereafter upon the Required Holders request, the Company shall provide the Required Holders with a statement from each insurance company providing the foregoing coverage, acknowledging in favor of the Collateral

Agent the continued effectiveness of the foregoing insurance clauses. If the Company or any other Obligor fails to provide and pay for such insurance, the Collateral Agent may, at its option, but shall not be required to, procure the same and charge the Company or such Obligor therefor as a part of the Obligations.

(b) Net Casualty/Insurance Proceeds must be applied to either (i) the payment of the Obligations, or (ii) the repair and/or restoration of the Collateral. If either an Event of Default has occurred, or the cost to repair or restore the Collateral or of loss due to business interruption exceeds $250,000, then, in such event, the Collateral Agent, at the direction of the Required Holders, shall determine, in their sole discretion, the manner in which Net Casualty/Insurance Proceeds are to be applied. If no Event of Default has occurred and the cost to repair or restore the Collateral or of loss due to business interruption is $250,000 or less, the Company shall determine the manner in which Net Casualty/Insurance Proceeds are to be applied.

SECTION 6.07. MAINTENANCE OF PROPERTY. The Company shall, and shall cause each Subsidiary to, maintain all of its properties and assets in reasonably good condition, repair and working order, ordinary wear and tear excepted. The Obligors shall maintain all Equipment Collateral in good operating condition and repair, reasonable wear and tear excepted and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment Collateral shall be maintained and preserved, reasonable wear and tear excepted. Without the prior written consent of the Collateral Agent, none of the Equipment Collateral may be affixed to any real property such that it is characterized as a fixture under applicable law.

SECTION 6.08. [RESERVED]

SECTION 6.09. PHYSICAL INVENTORIES. The Company and the other Obligors shall conduct a physical inventory no less frequently than annually and shall provide to the Collateral Agent a report of such physical inventory promptly thereafter, together with such supporting information as the Collateral Agent shall reasonably request.

SECTION 6.10. [INTENTIONALLY DELETED]

SECTION 6.11. PRESERVATION OF INTANGIBLES COLLATERAL. The Company and the other Obligors shall take all reasonably necessary and appropriate measures, taking into account the value and usefulness of the relevant Intangibles Collateral and the cost of such measures, to obtain, maintain, protect and preserve the Intangibles Collateral including, without limitation, registration thereof with the appropriate state or federal governmental agency or department.

SECTION 6.12. RECORDS RESPECTING COLLATERAL. All records of the Company and the other Obligors with respect to the Collateral will be kept at their respective Executive Offices and will not be removed from such address without the prior written consent of the Required Holders.

SECTION 6.13. REPORTS RESPECTING COLLATERAL. The Company shall, as soon as practicable, but in any event on or before 30 days after each Fiscal Month for the first 24 Fiscal Months after the Closing Date, and 20 days after each Fiscal Month thereafter, furnish or cause to be furnished to the Collateral Agent a status report, certified by a duly authorized officer of the Company, showing: (i) the aggregate dollar value of the items comprising the Factored Accounts

and the Accounts Receivable Collateral and the age of each individual item thereof as of the last day of the preceding Fiscal Month (segregating such items in such manner and to such degree as the Collateral Agent may request, including, without limitation, by Account Debtor name, address, invoice number, due date and invoice date); (ii) the aggregate dollar value of the items of Accounts Receivable Collateral subject to "bill and hold" arrangements (segregating such items in such manner and to such degree as the Collateral Agent may request); (iii) the aggregate dollar value of the items comprising the accounts payable of the Obligors and the age of each individual item thereof as of the last day of the preceding Fiscal Month (segregating such items in such manner and to such degree as the Collateral Agent may request); (iv) the type, age, dollar value and location of the Inventory Collateral as at the end of the preceding Fiscal Month, valued at the lower of its FIFO cost or market value; and (v) the aggregate dollar value of all returns, repossessions or discounts with respect to Inventory Collateral in excess of $250,000, and specifying for each such return, repossession or discount, the Account Debtor, the reason for any such return, repossession or discount and the location of any returned or repossessed Inventory. Additionally, the Collateral Agent may, at any time in its sole discretion, require the Company to permit the Collateral Agent in its own name or any designee of the Collateral Agent in its own name to verify the individual account balances of or any other matter relating to the individual Account Debtors immediately upon its request therefor by mail, telephone, telegraph or otherwise. The Company shall cooperate fully with the Collateral Agent in an effort to facilitate and promptly conclude any such verification process. In any event, with the above described status report for the month of December of each year and upon request from the Collateral Agent, made at any time hereafter, the Company shall furnish the Collateral Agent with a then current customer and Account Debtor name and address list, together with (if requested by the Collateral Agent) updates of Equipment Collateral lists and appraisals of the Equipment Collateral and/or the Inventory Collateral. During any period during which a Default or Event of Default exists, then, upon the Collateral Agent's request therefor, the Company shall deliver to the Collateral Agent copies of proof of delivery and the original copy of all documents, and such other matters and information relating to the status of the Accounts of the Obligors as the Collateral Agent shall reasonably request.

SECTION 6.14. COLLATERAL LOCATION WAIVERS. With respect to each of the Collateral Locations, the Company will obtain such waivers of lien, estoppel certificates or subordination agreements as the Collateral Agent may reasonably

require to insure the priority of its security interest in that portion of the Collateral situated at such locations, such waivers to be obtained within (i) 30 days after the Closing Date therefor for Collateral Locations as to which the dollar value of the Collateral at such Collateral Location is not in excess of $1,600,000, and (ii) 60 days after the Closing Date for all other Collateral Locations.

SECTION 6.15. MEXICAN FOREIGN STOCK PLEDGE. Within 60 days after the Closing Date, the Company shall (i) execute and deliver to the Collateral Agent such pledge or other agreement, and effect such registration or take such other action, as may be required pursuant to applicable Mexican law to enable the Collateral Agent to enforce in Mexico the pledge of stock in Burgundy Interamericana, S.A. de C.V. described in the Foreign Stock Pledge Agreement, and (ii) deliver to the Collateral Agent a favorable opinion acceptable to the Required Purchasers regarding such enforceability from Mexican counsel acceptable to the Required Purchasers and (iii) deliver in pledge the original stock certificate evidencing such shares, together with executed blank stock powers related thereto.

SECTION 6.16. PAYMENT OF TAXES ON AND USE OF COLLATERAL. The Company shall timely pay all taxes and other charges against the Collateral, and the Company will not, nor will it permit the other Obligors to, use the Collateral illegally.

SECTION 6.17. POST-CLOSING MATTERS. On or before (i) July 27, 2001, the Company shall furnish to the Purchasers, a favorable opinion letter satisfactory to the Purchasers of Cleary, Gottlieb, Steen & Hamilton, New York counsel for the Obligors, dated as of the Closing Date, as to enforceability of the Transaction Documents under the laws of the State of New York and (ii) August 27, 2001, the consent of Aladdin Manufacturing Corporation to the assignment of the Escrow Agreement, as contemplated by the Assignment Agreement. In addition the Collateral Agent is obtaining for the Purchasers a favorable opinion letter satisfactory to the Purchasers of Stites & Harbison, Kentucky counsel for the Purchasers, dated as of the Closing Date, as to enforceability and sufficiency of the form of Mortgage and the Mortgage Amendment under the laws of the State of Kentucky.

ARTICLE VII.

NEGATIVE COVENANTS

The Company covenants to each Purchaser that from and after the date hereof and so long as any amount remains unpaid on account of any of the Obligations or this Agreement remains effective (whichever is the last to occur), it will not do (and will not permit any of its Subsidiaries to do), without the prior written consent of Required Holders, any of the things or acts set forth below:

SECTION 7.01. DISSOLUTION. The Company shall not suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of the Company or Subsidiary, except through corporate reorganization to the extent permitted by Section 7.02.

SECTION 7.02. CONSOLIDATIONS, MERGERS AND SALES OF ASSETS.

(a) The Company will not, nor will they permit any Subsidiary to, merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any Person, except for a merger or consolidation between Subsidiaries of the Company or involving only the Company and one or more of its Subsidiaries in which the Company is the surviving entity.

(b) The Company will not, nor will it permit any Subsidiary to sell, lease or otherwise transfer all or any part of their assets (including, without limitation, any sale and leaseback arrangement, but excluding sales of inventory in the ordinary course of business) to, any other Person, or discontinue or eliminate any business line or segment, provided that the foregoing limitation on the sale, lease or other transfer of assets and on the discontinuation or elimination of a business line or segment shall not prohibit:

(i) the sales of Factored Accounts to a Permitted Factor;

and

(ii) dispositions of Equipment Collateral subject to the provisions of Section 7.15.

SECTION 7.03. CHANGE IN FISCAL YEAR. The Company will not change its Fiscal Year, or the fiscal year of any Subsidiary, without the consent of the Required Holders.

SECTION 7.04. ENVIRONMENTAL MATTERS. The Company and the Subsidiaries will not, and will not permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle, or ship or transport to or from the Aggregate Real Properties any Hazardous Materials except for Hazardous Materials such as cleaning solvents, pesticides and other similar materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed, or otherwise handled in minimal amounts in the ordinary course of business in compliance with all applicable Environmental Requirements.

SECTION 7.05. ENVIRONMENTAL RELEASE. The Company agrees that upon the occurrence of an Environmental Release at or on any of the Aggregate Real Properties it will act immediately to investigate the extent of, and to take appropriate remedial action to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

SECTION 7.06. TRANSACTIONS WITH AFFILIATES. Neither the Company nor any of the Subsidiaries shall enter into, or be a party to, any transaction involving $500,000 or more with any Affiliate of the Company or such Subsidiaries (which Affiliate is not one of the Company or a Wholly Owned Subsidiary), except as permitted by law and in the ordinary course of business and pursuant to reasonable terms which are fully disclosed to the Purchasers and are no less favorable to the Company or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person which is not an Affiliate. All obligations (consisting of Debt or otherwise) owed by any Affiliate to the Company shall by its terms be subordinated in full to the payment of the Obligations.

SECTION 7.07. NO ADDITIONAL SUBSIDIARIES. Neither the Company nor any of its Subsidiaries shall hereafter create or acquire any Subsidiary or divest itself of any material assets by transferring them to any Subsidiary. In the event that, with the Required Holders' prior written consent, the Company acquires or creates any Subsidiary which is a Domestic Subsidiary, then, promptly and in any event within 10 Domestic Business Days) upon the acquisition or creation thereof, the Company shall cause such Subsidiary to execute and deliver to the Collateral Agent: (i) the Consent and Agreement of the Company at the end of the Intercreditor Agreement, (ii) if it owns any capital stock of another Domestic Subsidiary, a joinder agreement with respect to the Domestic Stock Pledge Agreement, together with blank stock powers and the stock certificates, (iii) if it owns any capital stock of a Direct Foreign Subsidiary, a joinder agreement with respect to the Foreign Stock Pledge Agreement, together with blank stock powers and the stock certificates (or otherwise make arrangements satisfactory to the Collateral Agent for the registration or other perfection of its security interest), (iv) if it owns any Real Property and if requested by the Required Holders, a Mortgage thereon and such other Real Property Documentation with respect thereto as is requested by the Required Holders (provided, that such Mortgage and other Real Property Documentation must be furnished as soon as reasonably practicable, but need not be furnished within the aforesaid 10 Domestic Business

Days period), (v) such UCC-1 financing statements as the Collateral Agent may reasonably request and (vi) evidence of corporate authority therefor and opinions of counsel with respect thereto, all satisfactory to the Collateral Agent in all respects, in the case of such Security Documents, granting to the Collateral Agent a second priority perfected Lien in all of the assets of such Domestic Subsidiary subject only to Permitted Encumbrances.

SECTION 7.08. RESTRICTED PAYMENTS. The Company will not declare or make

any Restricted Payment during any Fiscal Year.

SECTION 7.09. INVESTMENTS. The Company shall not, and shall not permit any of the other Obligors or any of the Subsidiaries to, make Investments in any Person except:

(i) deposits required by government agencies, public utilities or insurance companies;

(ii) Investments by the Company to or in any Subsidiary existing on the Closing Date;

(iii) Investments in (1) direct obligations of the United States Government maturing within one year, (2) certificates of deposit issued by a commercial bank whose credit is satisfactory to the Required Holders, (3) commercial paper rated "A1" or the equivalent thereof by S&P or "P1" or the equivalent thereof by Moody's and in either case maturing within 6 months after the date of acquisition, and/or (4) tender bonds the payment of the principal of and interest on which is fully supported by a letter of credit issued by a United States bank whose long-term certificates of deposit are rated at least "AA" or the equivalent thereof by S&P and "Aa" or the equivalent thereof by Moody's;

(iv) Investments as a result of Interest Rate Protection Agreements not entered into for speculative purposes and not exceeding the aggregate amount of $1,000,000 (valued at the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by the parties in the applicable Interest Rate Protection Agreement, if any, and in any case net of any benefits of the Company) outstanding with respect thereto;

(v) other Investments existing on the Closing Date;

provided, however, that immediately after giving effect to the making of any Investment permitted by this Section 7.09, no Default or Event of Default shall have occurred and be continuing.

SECTION 7.10. PERMITTED LIENS. The Company will not, and will not permit any Subsidiary to, create, assume or suffer to exist any Lien, directly or indirectly, on any asset now owned or hereafter acquired by it, except, with respect to the Collateral, the Permitted Encumbrances, and with respect to assets other than Collateral, other Liens set forth below:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement and disclosed in the Collateral Information Certificates;

(b) any Lien existing on any specific fixed asset of any corporation at the time such corporation becomes a Subsidiary and not created in contemplation of such event;

(c) any Lien on any specific fixed asset securing Debt incurred or assumed for the purpose of financing all or at least 75% of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;

(d) any Lien on any specific fixed asset of any corporation existing at the time such corporation is merged or consolidated with or into the Company or a Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any specific fixed asset prior to the acquisition thereof by the Company or a Subsidiary and not created in contemplation of such acquisition;

(f) Purchase Money Liens, securing Debt, not to exceed $250,000 in the aggregate outstanding at any time; provided that in granting any such Purchase Money Liens, the Company shall use its best efforts to obtain from the

holder of any such Purchase Money Lien a consent, if necessary, such that the equipment covered by such Purchase Money Lien will not constitute Excluded Equipment under clause (i) of the definition of "Excluded Equipment";

(g) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(h) any Lien on Margin Stock;

provided, however, that immediately after giving effect to the creation, assumption, existence or incurrence of any Liens permitted by this Section 7.10, no Default or Event of Default shall have occurred and be continuing.

SECTION 7.11. RESTRICTIONS ON ABILITY OF THE COMPANY AND SUBSIDIARIES TO PAY DIVIDENDS. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any contractual encumbrance or restriction on the ability of any Subsidiary to (i) pay any dividends or make any other distributions on its Capital Stock or Redeemable Preferred Stock or any other interest or (ii) make or repay any note or other financial obligations of the Obligors.

SECTION 7.12. PERMITTED DEBT. The Company will not, nor will it permit any Subsidiary to, create, assume or incur any Debt, except as follows (the amounts set forth below are in the aggregate for the Company and all Subsidiaries).

(a) Debt owing by the Company to any other Obligor that is subordinated to the payment of the Obligations and the Senior Subordinated Notes;

(b) Debt to the Agent, the Collateral Agent and the Senior Lenders under the Senior Debt Agreement, to the Purchasers under this Agreement and to Wachovia under any document or agreement pertaining to any Letter of Credit;

(c) Debt to Persons other than that described in the foregoing clause(b) existing on the date of this Agreement and described in Schedule 7.12;

(d) [Reserved];

(e) Debt consisting of accrued pension fund and other employee benefit plan obligations and liabilities;

(f) Debt consisting of deferred taxes;

(g) Debt resulting from endorsements of negotiable instruments received in the ordinary course of business;

(h) Debt secured by Purchase Money Liens permitted hereby Section 7.10(f);

(i) contingent obligations with respect to documentary letters of credit which have been issued but not drawn upon;

(j) Debt as a result of Interest Rate Protection Agreements as the same are permitted under Section 7.09;

(k) Debt arising out of the refinancing, extension, renewal or refunding of any Debt permitted by any of the foregoing paragraphs of this Section so long as (i) the maturity of such refinanced Debt is not earlier than the maturity of such original Debt, and (ii) the interest, fees and other amounts payable with respect to such refinanced Debt are no greater than any interest, fees or other amounts payable with respect to the original Debt); and

(l) Debt arising in connection with factoring arrangements with The CIT Group/Commercial Services, Inc. described in Section 4.02(l), to be paid off and released pursuant to the payoff letter described therein;

provided, however, that immediately after giving effect to the creation,

assumption, existence or incurrence of any Debt permitted by this Section 7.12, no Default or Event of Default shall have occurred and be continuing.

SECTION 7.13. LIMITATION ON ISSUANCE AND SALE OF CAPITAL STOCK AND REDEEMABLE PREFERRED STOCK OF SUBSIDIARIES. The Company shall not, nor permit any Subsidiary to, permit any Wholly Owned Subsidiary to issue any Capital Stock or Redeemable Preferred Stock other than to the Company or one of its Wholly Owned Subsidiaries or permit any Person other than the Company or one of its Wholly Owned Subsidiaries to own any Capital Stock or Redeemable Preferred Stock of a Wholly Owned Subsidiary (other than directors' qualifying shares); or sell any of the Capital Stock or Redeemable Preferred Stock of a Subsidiary of the Company, or permit any Subsidiary of the Company to sell any of the Capital Stock or Redeemable Preferred Stock of any other Subsidiary.

SECTION 7.14. CHANGE OF PRINCIPAL PLACE OF BUSINESS OR LOCATION OF COLLATERAL. None of the Obligors shall change its state of organization, registered legal name, principal place of business or Executive Office, or open new Collateral Locations or warehouses, or transfer

existing Collateral Locations or warehouses, or locate the Collateral at any location other than a Collateral Location, or maintain records with respect to Collateral, to or at any locations other than those at which the same are presently kept or maintained as set forth on the Collateral Information Certificates without the Required Holder's prior written consent after at least 30 days prior written notice to the Purchasers; provided, however, that the Company has notified the Purchasers that on or about December 31, 2001, each of the Company and Hamco, Inc. will relocate its principal place of business and Executive Office (with no change to its state of organization or registered legal name) to Gonzales, Ascention Parish, Louisiana, and consent hereby is granted with respect thereto, subject to the execution of appropriate UCC-1 financing statements requested by the Collateral Agent with respect thereto.

SECTION 7.15. DISPOSITIONS OF EQUIPMENT COLLATERAL. The Company will not, nor permit any other Obligor to, sell, lease, exchange, arrange for a sale and leaseback, or otherwise dispose of any of the Equipment Collateral without the prior written consent of the Collateral Agent (acting at the direction of the Required Holders); provided, however, that, with notice to, but without the necessity of consent of, the Collateral Agent, from time to time hereafter, in the ordinary course of the Obligors' business for so long as no Default or Event of Default exists, the Obligors may (i) sell such portions of its Equipment Collateral which in the aggregate during any 12 month period, has a market value or a book value, whichever is more, of $500,000 or less, provided that the proceeds are remitted to the Purchasers and applied as prepayment of the Notes under Section 2.05, and (ii), sell, exchange or otherwise dispose of portions of its Equipment Collateral which are obsolete, worn-out or unsuitable for continued use by the Obligors if such Equipment Collateral is replaced promptly upon its disposition with equipment constituting Equipment Collateral having a market value equal to or greater than the Equipment Collateral so disposed of and in which the Collateral Agent shall obtain and have a second priority security interest pursuant hereto on behalf of the Purchasers subject only to Permitted Encumbrances and the Liens securing the Senior Notes.

SECTION 7.16. MATERIAL CONTRACTS. The Company shall comply with and enforce, and cause each Subsidiary to comply with and enforce, all material terms and conditions of any Material Contract to which it is a party. The Company may not, without the Required Holders' prior written consent, (i) enter into, or permit any Subsidiary to enter into, any amendment or modification to any Material Contract of a material nature, or (ii) permit any Material Contract to be cancelled or terminated prior to its stated maturity. The Company shall promptly notify the Required Holders and deliver to the Required Holders any notice received by the Company with respect to any event which constitutes a default by the Company or Subsidiary under any Material Contract to which the Company or Subsidiary is a party or by which any of the assets of the Company or Subsidiary may be bound.

SECTION 7.17. CHANGES TO FEDERAL TAXPAYER IDENTIFICATION NUMBER. No Obligor may change its federal taxpayer identification number without 30 days' prior written notice to the Purchasers.

SECTION 7.18. MODIFICATION OF CERTAIN DOCUMENTS, AGREEMENTS AND

INSTRUMENTS. The Company shall not:

(a) File any resolution of its board of directors (or other governing body) with the Secretary of State of the jurisdiction of its organization to establish or create a series of Preferred Shares or any other separate class of equity securities;

(b) Amend, modify, supplement or waive any term, condition or provision of its organizational documents or enter into any agreement, document or instrument or transaction, if the effect thereof is, or could reasonably be expected to be, adverse to the interests of any holder of any of the Notes or to impose restrictions upon the right and obligation of the Company to make payments on the Notes that are more restrictive in any material respect than those set forth in its organizational documents or such other agreements, documents and instruments as in effect on the Closing Date; or

(c) Amend or alter the Senior Debt Notes or the Senior Debt Documents in a manner that conflicts with the intent of the Intercreditor Agreement or is adverse to the interests of the Purchasers, including without limitation any modification that (a) adds or amends any covenant so that it is more restrictive than the covenants contained in this Agreement, (b) increases the rate of interest, Yield Maintenance Amount or any fees charged on the Senior Notes, (c) increases the principal amount of the Senior Notes, (d) provides for an earlier date for the payment of principal or interest on the Senior Notes or shortens the average life of the Senior Notes, or (e) provides for additional collateral, in each case without the prior written consent of the Required Holders.

ARTICLE VIII.

FINANCIAL COVENANTS

The Company covenants to the Purchasers that, from and after the date hereof and so long as any amount remains on account of any of the Obligations or this Agreement remains effective, it will comply with the financial covenants set forth below:

SECTION 8.01. FINANCIAL COVENANTS.

(a) MINIMUM EBITDA. Consolidated EBITDA shall not be less than: (i) for the Fiscal Quarter ending September 30, 2001, $1,825,000; (ii) on a cumulative basis for the Fiscal Quarter ending December 30, 2001 and the immediately preceding Fiscal Quarter, $3,500,000; (iii) on a cumulative basis for the Fiscal Quarter ending March 31, 2002 and the 2 immediately preceding Fiscal Quarters, $5,550,000; and (iv) at the end of each Fiscal Quarter thereafter, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MINIMUM EBITDA
<S>	<C>
June 30, 2002	$7,375,000
September 29, 2002	$7,900,000
December 29, 2002	$8,300,000
March 30, 2003 and each Fiscal Quarter thereafter	$8,725,000

</TABLE>

(b) DEBT/EBITDA RATIO. The Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal

Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the ratio set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MAXIMUM DEBT/EBITDA RATIO
<S>	<C>
March 31, 2002	7.75 to 1.0
June 30, 2002	5.65 to 1.0
September 29, 2002	5.25 to 1.0
December 29, 2002	4.75 to 1.0
March 30, 2003 and June 29, 2003	4.50 to 1.0
September 28, 2003	4.25 to 1.0
December 28, 2003	4.00 to 1.0
March 28, 2004	3.75 to 1.0
June 27, 2004 and September 26, 2004	3.50 to 1.0
December 26, 2004 through December 25, 2005	3.25 to 1.0
And each Fiscal Quarter thereafter	3.00 to 1.0

</TABLE>

(c) SENIOR DEBT/EBITDA RATIO. The Senior Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Senior Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the ratio set forth below corresponding to such Fiscal Quarter:

<TABLE>
<CAPTION>

FISCAL QUARTER ENDING	MAXIMUM SENIOR DEBT/EBITDA RATIO
<S>	<C>
March 31, 2002	4.80 to 1.0
June 30, 2002	3.50 to 1.0
September 29, 2002	3.25 to 1.0
December 29, 2002	3.00 to 1.0
March 30, 2003	2.75 to 1.0
June 29, 2003 and September 28, 2003	2.50 to 1.0
December 28, 2003	2.25 to 1.0
March 28, 2004 through September 26, 2004	2.00 to 1.0
December 26, 2004	1.75 to 1.0

March 27, 2005 and each Fiscal Quarter thereafter	1.50 to 1.00

(d) EBITDA/CASH INTEREST RATIO. The EBITDA/Cash Interest Ratio will not be less than, at the end of each Fiscal Quarter set forth below, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters (except that for the Fiscal Quarter ending March 31, 2002, such calculation shall be for such Fiscal Quarter and the 2 immediately preceding Fiscal Quarters), the amount set forth below corresponding to such Fiscal Quarter:

FISCAL QUARTER ENDING	MINIMUM EBITDA/CASH INTEREST RATIO
March 31, 2002	1.60 to 1.0
June 30, 2002	1.65 to 1.0
September 29, 2002	1.80 to 1.0
December 29, 2002	2.00 to 1.0
March 30, 2003	2.20 to 1.0
June 29, 2003 through December 28, 2003	2.25 to 1.0
March 28, 2004 through December 26, 2004	2.50 to 1.0
March 27, 2005 through December 25, 2005	2.75 to 1.0
And each Fiscal Quarter thereafter	3.00 to 1.00

(e) MINIMUM STOCKHOLDERS' EQUITY. As of the end of each Fiscal Quarter, Stockholders' Equity will not be less than the sum of (i) Stockholders' Equity as of the Closing Date (after giving effect to the sale of its adult bedding line of business to its former management) plus (ii) 75% of the cumulative (since the Closing Date) Reported Net Income (excluding any Fiscal Quarter during which Reported Net Income is less than $0.00) of the Company and the Subsidiaries.

(f) CAPITAL EXPENDITURES. The Company shall not, nor shall it permit any Subsidiary to, make any expenditures (including obligations incurred under any lease) in any Fiscal Year that are required to be capitalized under GAAP in the aggregate for the Company and the Subsidiaries, on a consolidated basis, exceeding $500,000.

(g) OPERATING LEASES. The Company shall not, nor shall it permit any Subsidiary to, enter into or remain or become liable upon any lease (other than intercompany leases between the Company and its Subsidiaries) which would be characterized as an operating lease under GAAP if the aggregate amount of all consolidated rents paid by the Company and its Subsidiaries under all such leases would exceed $3,000,000 in the first Fiscal Year following the Closing Date, with such amount increasing each Fiscal Year thereafter by an additional 5% of the amount in effect at the end of the preceding Fiscal Year.

ARTICLE IX.

EVENTS OF DEFAULT

SECTION 9.01. EVENTS OF DEFAULT. Each of the following shall constitute an "EVENT OF DEFAULT", whatever the reason for such event and whether or not it

shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule, or regulation of any governmental or nongovernmental body:

(a) the Company shall fail to pay when due any principal of any Note or any other Obligations, or shall fail to pay any interest on any Note within 3 Domestic Business Days after such interest shall become due, or shall fail to pay any fee or other Obligations within 3 Domestic Business Days after such fee or other Obligation becomes due; or

(b) any material default shall occur pursuant to the terms of any of the other Transaction Documents or any "Event of Default" shall occur under the Senior Credit Agreement (as such term is defined therein); or

(c) the Company shall fail to observe or perform any covenant contained in

(i) Sections 6.01(f), 6.02(a)(ii), 6.02(b), 6.03(i) and (ii), 6.04, 6.13, 6.17, 7.01, 7.02, 7.07 through 7.13, inclusive, 7.15, and 8.01;

(ii) Section 6.01(a) through (d), inclusive, and such failure shall not have been cured within 10 Domestic Business Days after the earlier to occur of (1) written notice thereof has been given to the Company by the Collateral Agent or (2) the Company otherwise becomes aware of any such failure; and

(iii) for the first Fiscal Year after the Closing Date only, Section 6.13 and such failure shall not have been cured within 5 Domestic Business Days after the earlier to occur of (1) written notice thereof has been given to the Company by the Agent or (2) the Company otherwise becomes aware of any such failure, or

(d) the Company or any other Obligor shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by paragraph (a) or (b) above) or any other Transaction Documents and such failure shall not have been cured within 30 days after the earlier to occur of (i) written notice thereof has been given to the Company by the Required Holders or (ii) the Company otherwise becomes aware of any such failure; or

(e) the Collateral Agent on behalf of the Purchasers shall cease to hold a fully perfected, subordinated (but only to the Senior Debt and to the extent described in the Intercreditor Agreement) Lien on the assets of any Obligor described in any Transaction Document or any Person shall take any action to discontinue or to assert the invalidity or unenforceability of such security interest or the assignment under the Assignment Agreement shall cease to be valid.

(f) any representation, warranty, certification or statement made by the Company in ARTICLE V of this Agreement or by any Obligor in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Transaction Documents shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or

(g) any Obligor shall fail to make any payment in respect of Debt outstanding (other than the Notes) or under any document or agreement pertaining to any Letter of Credit (as defined in the Senior Credit Agreement) when due or within any applicable grace period; or

(h) any event or condition shall occur which results in the acceleration of the maturity of Debt outstanding of the Company or any Subsidiary in an aggregate principal amount of $250,000 or more (including, without limitation, any required mandatory prepayment or "put" of such Debt to the Company or any Subsidiary) or enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Debt or commitment or any Person acting on such holders' behalf to accelerate the maturity thereof or terminate any such commitment prior to its normal expiration (including, without limitation, any required mandatory prepayment or "put" of such Debt to the Company or any Subsidiary); or

(i) the Company or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain

undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(k) the Company, any Subsidiary or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Company, any Subsidiary, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(l) (i) one or more judgments or orders of any court or other judicial body for the payment of money in an aggregate amount in excess of $250,000 (in excess of amounts covered by insurance) shall be rendered after the Closing Date against any of the Company or any Subsidiary and such judgment or order shall either continue unsatisfied and unstayed for a period of 30 days or give rise to a Lien on any Collateral at any time; or (ii) a warrant or writ of attachment or execution or similar process shall be issued against any property of the Company or any Subsidiary which exceeds, individually or together with all other such warrants, writs and processes since the Closing Date, $250,000 (in excess of amounts covered by insurance) and such warrant, writ or process shall not be discharged, vacated, stayed or bonded for a period of 30 days; provided, however, that in the event a bond has been issued in favor of the claimant or other Person obtaining such attachment or writ, the issuer of such bond shall execute a waiver or subordination agreement in form and substance satisfactory to the Required Holders pursuant to which the issuer of such bond subordinates its right of reimbursement, contribution or subrogation to the Obligations and waives or subordinates any Lien it may have on the assets of the Company or any Subsidiary; or

(m) a Change of Control shall occur; or

(n) (i) the loss of a material part of the business from any customer of any Obligor which, during the Fiscal Year ended prior to such loss thereof, accounted for 15% or more of the aggregate sales of the Obligors, or (ii) the termination of the license from Disney Enterprises, Inc., or (iii) the termination of any license agreement with any other licensor, if the license or licenses utilized under such license agreement was or were necessary for sales which, during the Fiscal Year ended prior to such termination, accounted for 15% or more of the aggregate sales of the Obligors; or

(o) if, on any day, the Company could not truthfully make the

representations and warranties contained in Section 5.15; or

(p) there shall have occurred material uninsured damage to, or loss, theft or destruction of, any material part of the Collateral; or

(q) any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty or injunction, court order, or order or act of a governmental authority which causes, for more than 30 consecutive days beyond the coverage period of any applicable business interruption insurance, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any Subsidiaries if any such event or circumstance could reasonably be expected to have a Material Adverse Effect; or

(r) if E. Randall Chestnut, as chief executive officer of the Company, or Nanci Freeman, as President and Chief Executive Officer of Crown Crafts Infant Products, Inc. shall cease for any reason (including death or disability), respectively, to hold such offices, and a replacement of either individual in their respective offices, which replacement must be reasonably satisfactory to the Required Holders, is not appointed within 90 days of the absence of such individuals from their respective offices;

SECTION 9.02. REMEDIES ON DEFAULT.

(a) Upon the occurrence and continuation of an Event of Default (other than an Event of Default described in Section 9.01(h) and (i)), the Required Holders may, in its sole discretion, but shall not be obligated to, by notice to the Company declare the Notes (together with accrued interest thereon), and all other amounts payable hereunder and under the other Transaction Documents, to be, and the same shall thereupon become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company together with interest at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default, and may exercise all of their rights and remedies under the Transaction Documents or under applicable law.

(b) Upon the occurrence of any Event of Default set forth in clause (h) or (i) of Section 9.01 above, without any notice to the Company or any other act by the Required Holders or any Purchaser, the Notes (together with accrued interest thereon) and all other amounts payable hereunder and under the other Transaction Documents, including, without limitation, all costs of collection (including reasonable attorneys' fees if collected by or through an attorney at law or in bankruptcy, receivership or other judicial proceedings), shall automatically and without notice become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company together with interest thereon at the Default Rate accruing on the principal amount thereof from and after the date of such Event of Default

(c) Upon any Notes becoming due and payable under this Section 9.02, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including pursuant to Section 3.05) and (y) the Yield-Maintenance Amount determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Yield-Maintenance Amount by the Company in the event that

the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

(d) If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been

declared immediately due and payable under Section 9.02, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

(e) At any time after any Notes have been declared due and payable pursuant to clause (a) of this Section 9.02, the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (i) the Company has paid all overdue interest on the Notes, all principal of and Yield-Maintenance Amount, if any on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Yield-Maintenance Amount, if any, and any overdue interest in respect of the Notes, at the Default Rate, (ii) all Events of Default and Defaults, other than nonpayment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 11.04, and (iii) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this clause (e) will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

(f) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to exercise any remedy reserved to the Purchasers in this Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Without limiting the obligations of the Company under Section 11.03, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Agreement or any other Transaction Document, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

ARTICLE X.

SUBORDINATION OF NOTES

SECTION 10.01. SUBORDINATION. Anything in this Agreement to the contrary notwithstanding, all amounts owing to the holders of the Notes under this Agreement or any other Transaction Document including without limitation, principal, Yield-Maintenance Amount, if any, interest and fees (excluding fees and expenses of special counsel to the holders of the

Notes) (the "SUBORDINATED DEBT"), shall be subordinate and junior to all Senior Debt to the extent set forth in Section 10.01(a) through (g), inclusive, below.

(a) INSOLVENCY. In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company or any other Obligor, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company or any other Obligor, whether or not involving insolvency or bankruptcy proceedings, then all Senior Debt shall first be paid in full in cash before any payment of or on account of the Subordinated Debt.

(b) INSOLVENCY DISTRIBUTIONS. In any of the proceedings referred to in Section 10.01(a) above, any payment or distribution of any kind or character, whether in cash, property, stock or obligations, which may be payable or deliverable by the Company in respect of the Subordinated Debt shall be paid or delivered directly to the holders of Senior Debt (or to a banking institution selected by the court or Person making the payment or delivery or designated by any holder of Senior Debt) for application in payment thereof in accordance with the priorities then existing among such holders, unless and until all Senior

Debt shall have been paid in full in cash; provided, however, that no such delivery shall be made to holders of Senior Debt of stock or obligations which are issued pursuant to reorganization proceedings in respect of the Subordinated Debt if such stock or obligations are subordinate and junior (whether by law or agreement) at least to the extent provided in this Section 10.01 to the payment of all Senior Debt then outstanding and to the payment of any stock or obligations which are issued in exchange or substitution for any Senior Debt then outstanding.

(c) SENIOR DEBT PAYMENT DEFAULT -- PAYMENT BLOCKAGE. If the Company shall default in the payment of any principal of or interest or Premium on any Senior Debt when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration of acceleration or otherwise, then, until such default shall have been remedied by payment in full in cash or waived, no holder of the Notes shall accept or receive any direct or indirect payment of or on account of the Subordinated Debt.

(d) SENIOR DEBT COVENANT DEFAULTS -- PAYMENT BLOCKAGE. Upon the occurrence and during the continuance of any Senior Debt Default (other than under circumstances when the terms of Section 10.01(c) above are applicable), no holder of the Notes shall accept or receive any direct or indirect payment of or on account of any Subordinated Debt during the period (a "BLOCKAGE PERIOD") beginning on the date of receipt by such holder of written notice of such Senior Debt Default (a "DEFAULT SUBORDINATION NOTICE") from the Required Holders and ending on the earliest of (i) the date when all such Senior Debt Defaults identified in the Default Subordination Notice have been cured or waived in writing, (ii) the date that is 180 days after receipt of such Default Subordination Notice and (iii) the date of repayment in full of the Senior Debt, provided that (a) there shall be no more than four Blockage Periods during the term of the Notes, (b) during any 365-day period, the aggregate number of days for which Blockage Periods may be in effect shall not exceed 210 days and (c) no facts or circumstances constituting a Senior Debt Default existing on the date of such Default Subordination Notice may be used as a basis for any subsequent Default Subordination Notice. The provisions of this Section 10.01(d) shall not prevent any payment on or in respect of the Subordinated Debt which would (in the absence

of any such Senior Debt Default) have been payable on any date during a Blockage Period from being paid following the termination of such Blockage Period.

(e) STANDSTILL. At any time that the holders of the Notes are not permitted to receive payments on the Subordinated Debt pursuant to either Section 10.01(c) or (d), the holders of the Notes, to the extent they are otherwise entitled to do so, will not accelerate the maturity of the Notes or pursue any other remedy to enforce payment thereof or initiate, or join in the initiation of, any bankruptcy or insolvency proceeding relative to the Company until the earliest of (i) the date when the Senior Debt Default giving rise to the blockage of payments on the Notes pursuant to Section 10.01(c) or (d) has been cured or waived in writing, (ii) the date of the repayment in full of the Senior Debt, (iii) the date that is 180 days after a Senior Debt payment default, (iv) the end of the Blockage Period applicable to such Senior Debt Default and (v) subject to the Intercreditor Agreement, the date on which the Senior Debt shall have been declared due and payable prior to its stated maturity or any holder of Senior Debt commences proceedings to collect any Senior Debt or realize upon any material part of the collateral for any Senior Debt (the "STANDSTILL PERIOD"). Upon the termination of the Standstill Period, the holders of the Notes may exercise all rights or remedies they may have in law or equity, subject to the terms hereof and of the Intercreditor Agreement.

(f) EXERCISE OF REMEDIES. So long as the Senior Debt is outstanding, if (i) a default pursuant to which the Subordinated Debt may be accelerated shall have occurred and is continuing and (ii) the remedies of the holder of the Subordinated Debt shall not have been suspended under the Intercreditor Agreement, upon 90 days prior written notice to the Senior Lenders of its intention to do so, the holder of the Subordinated Debt may elect to exercise any of its remedies that may exist at law or in equity. Except as otherwise provided in this Section 10(f), so long as the Senior Debt is outstanding, the Subordinated Lender shall not take any action to enforce any remedies with respect to the Subordinated Debt.

(g) TURNOVER. If any payment or distribution of any character, whether in cash, securities or other property, shall be received by any holder of Notes in contravention of any of the terms of this Section 10.01 and before all the Senior Debt shall have been paid in full in cash, such payment or distribution shall be received in trust for the benefit of the holders of the Senior Debt at the time outstanding and shall forthwith be paid over or delivered and transferred to the holders of Senior Debt.

(h) FILING CLAIMS. Each holder of Notes shall duly and promptly take such action as is reasonably necessary to file appropriate claims or proofs of claim in any of the proceedings referred to in Section 10.01(a) and to execute and deliver such other instruments and take such other actions as may be reasonably necessary to prove or realize upon such claims and to have the proceeds of such claims paid as provided in this Section 10.01. In the event any holder of Notes shall not have made any such filing on or prior to the date ten days before the expiration of the time for such filing or shall not have timely executed or delivered any such other instruments and taken such other actions, each holder of Senior Debt, acting through an agent or otherwise, is hereby authorized, as the agent and attorney-in-fact for such holder of Notes for the specific and limited purpose set forth in this paragraph, but shall have no obligation, to file such proof of claim for or on behalf of such holder of Notes, execute and deliver such other instruments for or on behalf of such holder of Notes and take such other action necessary under applicable law to

collect (subject to the provisions of Section 10.01(b)) any amounts due in respect of such claim in such proceeding. Anything contained in this paragraph notwithstanding, the right to vote any claim or claims in respect of the Subordinated Debt in connection with any proceedings referred to in Section 10.01(a) is exclusively reserved to the holders of the Notes.

SECTION 10.02. OBLIGATION OF THE COMPANY UNCONDITIONAL. The provisions of this Article X are for the purpose of defining the relative rights of the holders of Senior Debt on the one hand, and the holders of the Notes on the other hand, against the Company and its property, and nothing herein shall impair, as between the Company and the holders of the Notes, the obligation of the Company, which is unconditional and absolute, to pay to the holders thereof the Subordinated Debt in accordance with the terms and the provisions of this Agreement and the Notes. Except as otherwise provided in Section 10.01(e), nothing contained herein shall prevent the holders of the Notes from exercising all remedies otherwise permitted by applicable law or under this Agreement upon default under this Agreement or under the Notes (including, without limitation, the right to demand payment and sue for performance of the Agreement and of the Notes and to accelerate the maturity of the Notes as provided in Article IX), subject to the rights, if any, under this Article X of holders of Senior Debt to receive cash, property, stock or obligations otherwise payable or deliverable by the Company to the holders of the Notes.

SECTION 10.03. SUBROGATION. Upon payment in full of the Senior Debt in cash, the holders of the Notes shall be subrogated to the rights of the holders of the Senior Debt to receive payments or distributions of assets of the Company made on the Senior Debt until the Subordinated Debt shall be paid in full, and, for the purposes of such subrogation, no payments to the holders of the Senior Debt of any cash, property, stock or obligations to which the holders of the Notes would be entitled except for the provisions of Section 10.01 above shall, as between the Company, its creditors (other than the holders of the Senior Debt) and the holders of the Notes, be deemed to be a payment by the Company to or on account of the Senior Debt.

SECTION 10.04. RIGHTS OF HOLDERS OF SENIOR DEBT. The provisions of this Article X shall be deemed a continuing offer to all holders of Senior Debt to act in reliance on such provisions (but no such reliance shall be required to be proven to receive the benefits hereof) and may be enforced by such holders, and no right of any present or future holder of any Senior Debt to enforce subordination as provided in this Article X shall be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Agreement or the Notes. Without in any way limiting the generality of the foregoing, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the holders of the Notes, and without impairing or releasing the subordination provided in this

Article X or the obligations hereunder of the holders of the Notes to the holders of Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, or waive defaults under Senior Debt, or otherwise amend or supplement in any manner Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged or mortgaged to secure or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the payment or collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company and any other Person, including any guarantor or surety. The provisions of this Article X shall continue to be effective, or be

reinstated as of the date immediately prior to payment in full of the Senior Debt, as the case may be, if at any time payment, or any part thereof, of any of Senior Debt is rescinded or must otherwise be restored or returned by the holders of Senior Debt upon occurrence of an event described in Section 10.01(a), or otherwise, all as though such payments had not been made.

ARTICLE XI.

MISCELLANEOUS

SECTION 11.01. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including telecopier) and shall be effective (a) if given by mail, three (3) Business Days after being deposited in the mails or (b) if given by telecopier, when so telecopied. Notices hereunder shall be mailed or telecopied if to the Company at 1600 Riveredge Parkway, Suite 200, Atlanta, Georgia 30323 and if to a Purchaser, as provided on the Purchaser Schedule hereto.

SECTION 11.02. NO WAIVER. No delay or failure on the part of any Purchaser or any holder of the Note and the exercise of any right, power or privilege granted under this Agreement or any other Transaction Document or available at law or in equity, shall impair any such right, power or privilege or be construed as a waiver of any Event of Default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege. No waiver shall be valid against a Purchaser unless made in writing and signed by such Purchaser, and then only to the extent expressly specified therein.

SECTION 11.03. EXPENSES.

(a) The Company agrees to pay on demand all costs, expenses, taxes and fees (i) incurred by any Purchaser in connection with the preparation, execution and delivery of this Agreement and all other Transaction Documents, including the reasonable fees and disbursements of counsel for such Purchaser; (ii) incurred by such Purchaser in connection with the preparation, execution and delivery of any waiver, amendment or consent by such Purchaser relating to the Transaction Documents, including the reasonable costs and fees of counsel for such Purchaser; and (iii) incurred by such Purchaser, including the reasonable costs and fees of its counsel, in connection with the enforcement of the Transaction Documents.

(b) The Company agrees to indemnify, pay and hold each Purchaser and any holder of any of the Notes and the Warrants and the officers, directors, employees and agents of such Purchaser and such holders (the "INDEMNIFIED PERSONS") harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind (including, without limitation, the reasonable fees and disbursements of counsel for any Indemnified Person in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnified Person shall be designated a party thereto) which may be incurred by any Indemnified Person, relating to or arising out of the enforcement of this Agreement, the Notes, the Warrants or any other Transaction Document or any actual or proposed use of proceeds of the Notes; provided, that no Indemnified Person shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction.

SECTION 11.04. AMENDMENTS AND WAIVER.

(a) REQUIREMENTS. This Agreement, the Notes and any other Transaction Document may be amended, and the observance of any terms hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Articles II or IV or X hereof, or any defined term (as it is used therein), will be effective as to a Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) change the amount or time of any prepayment or payment of principal of, or change the rate or the time of payment or method of computation of interest or of the Yield-Maintenance Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 2.04, 2.05, 2.06, 9.01(a) or 11.04.

(b) SOLICITATION OF HOLDERS OF NOTES.

(i) SOLICITATION. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 11.04 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(ii) PAYMENT. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) BINDING EFFECT, ETC. Any amendment or waiver consented to as provided in this Section 11.04 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

(d) NOTES HELD BY COMPANY, ETC. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 11.05. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that the Company may not assign or otherwise transfer any of its rights or obligations under this Agreement, the Note or any other Transaction Document to any Person without the prior written

consent of the Required Holders. Such assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, obligations and benefits as it would have if it were a Purchaser hereunder and under the other Transaction Documents. Notwithstanding the foregoing, a Purchaser may sell or otherwise grant participations in all or any part of the Notes. The holder of any such participation, if the participation agreement so provides, shall have the same rights and benefits of a Purchaser hereunder.

SECTION 11.06. GOVERNING LAW. THIS AGREEMENT, THE NOTE AND THE WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICTS OF LAWS).

SECTION 11.07. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained herein or made by or furnished on behalf of the Company in connection herewith shall survive the execution and delivery of this Agreement.

SECTION 11.08. SEVERABILITY. If any part of any provision contained in this Agreement shall be invalid or unenforceable under applicable law, said part shall be ineffective to the extent of such invalidity only, without in any way affecting the remaining parts of said provision or the remaining provisions.

SECTION 11.09. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

SECTION 11.10. SET-OFF. Upon the occurrence and during the continuation of an Event of Default, the Company authorizes each Purchaser, without notice or demand, to apply any indebtedness due or to become due to the Company from such Purchaser in satisfaction of any of the indebtedness, liabilities or obligations of the Company under this Agreement or under any other Transaction Document, including, without limitation, the right to set-off against any deposits or other cash collateral of the Company held by such Purchaser or an Affiliate thereof. Any such set off shall be shared in accordance with Section 29 of the Intercreditor Agreement.

SECTION 11.11. TERMINATION OF AGREEMENT. This Agreement shall terminate upon the payment in full of the Note and all Obligations relating thereto; provided that, Sections 3.02, 3.03 and 10.03 shall survive the termination of this Agreement.

SECTION 11.12. JURISDICTION AND VENUE. THE COMPANY AND EACH PURCHASER HEREBY SUBMITS TO THE JURISDICTION OF THE COURTS (FEDERAL AND STATE) OF THE STATE OF NEW YORK, AND IRREVOCABLY AGREES THAT, SUBJECT TO THE SOLE AND ABSOLUTE ELECTION OF THE REQUIRED HOLDERS, ALL ACTIONS OR PROCEEDINGS RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER TRANSACTION DOCUMENT SHALL BE LITIGATED IN SUCH COURTS, AND THE COMPANY AND EACH PURCHASER WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT.

SECTION 11.13. WAIVER OF JURY TRIAL. THE COMPANY AND EACH PURCHASER KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE THE RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION, WHETHER IN CONTRACT OR TORT, AT LAW OR EQUITY, BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY OTHER TRANSACTION DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR EACH PURCHASER ENTERING INTO THIS AGREEMENT. FURTHER, THE COMPANY HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF ANY PURCHASER, NOR A PURCHASER'S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PURCHASER WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION, NO REPRESENTATIVE OR AGENT OF A PURCHASER, NOR SUCH PURCHASER'S COUNSEL HAS THE AUTHORITY TO WAIVE, CONDITION, OR MODIFY THIS PROVISION.

SECTION 11.14. ENTIRE AGREEMENT. This Agreement, the Note, the Warrants and the other Transaction Documents, together with any exhibits and schedules attached hereto and thereto, constitute the entire understanding of the parties with respect to the subject matter hereof and thereof, and any other prior or contemporaneous agreements, whether written or oral, with respect hereto or thereto are expressly superseded hereby. The execution of this Agreement, the

Notes, the Warrants and the other Transaction Documents by the Company was not based upon any facts or materials provided by any Purchaser, nor was the Company induced to execute this Agreement, the Notes, the Warrants or the other Transaction Documents by any representation, statement or analysis made by any Purchaser.

[Signatures On Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers all as of the day and year first above written.

ISSUER:

CROWN CRAFTS, INC.

By: /s/ E. Randall Chestnut

Name: E. Randall Chestnut
Title: Executive Vice President

The foregoing Agreement is hereby accepted as of the date first above written.

BANK OF AMERICA, N.A.

By: /s/ John F. Register

Name: John F. Register
Title: Principal

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Paul G. Price

Name: Paul G. Price
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ R.E.S. Bowen

Name: R.E.S. Bowen
Title: Vice President

EXHIBIT A-1

FORM OF SUBORDINATED NOTE

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF CERTAIN SENIOR DEBT (AS DEFINED IN THE PURCHASE AGREEMENT REFERRED TO BELOW) PURSUANT TO, AND TO THE EXTENT PROVIDED HEREIN. ANY HOLDER OF THIS INSTRUMENT SHALL BE DEEMED TO BE BOUND BY, AND SUBJECT TO, THE TERMS OF SUCH PURCHASE AGREEMENT.

SUBORDINATED NOTE

U.S. $_____ [Date]

FOR VALUE RECEIVED, the undersigned, CROWN CRAFTS, INC., a corporation organized under the laws of the State of Georgia (the "COMPANY"), hereby promises to pay to the order of [INSERT PURCHASER'S NAME] (together with any

subsequent holder hereof, the "HOLDER") the principal sum of _____ AND NO/100 UNITED STATES DOLLARS ($_____) in accordance with the terms of that certain Subordinated Note and Warrant Purchase Agreement, dated as of July __, 2001, by and among the Company, Bank of America, N.A., The Prudential Insurance Company of America and Wachovia Bank, N.A. (as hereafter amended, modified or supplemented, the "PURCHASE AGREEMENT") and in any event, no later than July __, 2007, unless sooner accelerated. In addition, the Company agrees to pay interest accrued on the principal amount outstanding under this Note from time to time, at such interest rates, payable at such times, and computed in such manner, as specified in the Purchase Agreement, in strict accordance with the terms thereof. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Purchase Agreement.

All payments of principal and interest shall be made in lawful money of the United States of America in immediately available funds at the Principal Office of the Holder as specified in the Purchase Agreement.

This Note is issued pursuant to, and is the Note referred to in, the Purchase Agreement, and the Holder is and shall be entitled to all benefits thereof. The Purchase Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, and restrictions on prepayments on account of principal hereof. To the extent prepayment is allowed, prepayment is subject to payment of a prepayment premium specified in the Purchase Agreement.

In case an Event of Default shall occur and be continuing, the principal of and all accrued interest on this Note may automatically become, or be declared, due and payable in the manner

and with the effect provided in the Purchase Agreement. The Company agrees to pay, and save the Holder harmless against, any liability for the payment of all reasonable costs and expenses, including reasonable attorneys' fees actually incurred, arising in connection with the enforcement by the Holder of any of its rights under this Note or the Purchase Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE HOLDER AND THE COMPANY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF).

THE COMPANY HEREBY EXPRESSLY WAIVES ANY PRESENTMENT, DEMAND, PROTEST OR NOTICE IN CONNECTION WITH THIS NOTE, NOW OR HEREAFTER REQUIRED BY APPLICABLE LAW.

Time is of the essence of this Note.

IN WITNESS WHEREOF, the Company has caused this Note to be executed and delivered by its duly authorized officers as of the date first above written.

CROWN CRAFTS, INC.

By:

Name:
Title:

EXHIBIT A-2

FORM OF SUBORDINATED PIK NOTE

THE INDEBTEDNESS EVIDENCED BY THIS INSTRUMENT IS SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF CERTAIN SENIOR DEBT (AS DEFINED IN THE PURCHASE AGREEMENT REFERRED TO BELOW) PURSUANT TO, AND TO THE EXTENT PROVIDED HEREIN. ANY HOLDER OF THIS INSTRUMENT SHALL BE DEEMED TO BE BOUND BY, AND SUBJECT TO, THE TERMS OF

SUCH PURCHASE AGREEMENT.

SUBORDINATED NOTE

U.S. $_____ [Date]

FOR VALUE RECEIVED, the undersigned, CROWN CRAFTS, INC., a corporation organized under the laws of the State of Georgia (the "COMPANY"), hereby promises to pay to the order of [INSERT PURCHASER'S NAME] (together with any subsequent holder hereof, the "HOLDER") the principal sum of _____ AND NO/100 UNITED STATES DOLLARS ($_____) in accordance with the terms of that certain Subordinated Note and Warrant Purchase Agreement, dated as of July __, 2001, by and among the Company, Bank of America, N.A., The Prudential Insurance Company of America and Wachovia Bank, N.A. (as hereafter amended, modified or supplemented, the "PURCHASE AGREEMENT") and in any event, no later than July __, 2007, unless sooner accelerated. No interest shall be charged on this Note. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Purchase Agreement.

All payments of principal and interest shall be made in lawful money of the United States of America in immediately available funds at the Principal Office of the Holder as specified in the Purchase Agreement.

This Note is issued pursuant to, and is the Note referred to in, the Purchase Agreement, and the Holder is and shall be entitled to all benefits thereof. The Purchase Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, and restrictions on prepayments on account of principal hereof. To the extent prepayment is allowed, prepayment is subject to payment of a prepayment premium specified in the Purchase Agreement.

In case an Event of Default shall occur and be continuing, the principal of and all accrued interest on this Note may automatically become, or be declared, due and payable in the manner and with the effect provided in the Purchase Agreement. The Company agrees to pay, and save

the Holder harmless against, any liability for the payment of all reasonable costs and expenses, including reasonable attorneys' fees actually incurred, arising in connection with the enforcement by the Holder of any of its rights under this Note or the Purchase Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE HOLDER AND THE COMPANY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF).

THE COMPANY HEREBY EXPRESSLY WAIVES ANY PRESENTMENT, DEMAND, PROTEST OR NOTICE IN CONNECTION WITH THIS NOTE, NOW OR HEREAFTER REQUIRED BY APPLICABLE LAW.

Time is of the essence of this Note.

IN WITNESS WHEREOF, the Company has caused this Note to be executed and delivered by its duly authorized officers as of the date first above written.

CROWN CRAFTS, INC.

By:

Name:
Title:

EXHIBIT B

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS

AMENDED, AND MAY NOT BE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT.

CROWN CRAFTS, INC.

SERIES [B][C] COMMON STOCK PURCHASE WARRANT

NEW YORK, NEW YORK
JULY 23, 2001

CROWN CRAFTS, INC., a Georgia corporation (the "COMPANY"), for value received, hereby certifies that [NAME OF HOLDER] or its registered assigns is entitled to purchase from the Company _____ duly authorized, validly issued, fully paid and nonassessable shares of the Company's series [B][C] non-voting common stock, par value $1.00 per share (the "WARRANT STOCK"), each share convertible, as set forth in the Second Amended and Restated Articles of Incorporation of the Company, into shares of Series A Common Stock, at an initial exercise price per share equal to the product of (a) the lesser of (i) 135% of the Market Price of the Original Common Stock for the twenty (20) consecutive Business Days immediately following the Original Issuance Date and (ii) $.113 and (b) 1.43036586 (the "INITIAL EXERCISE PRICE"), at any time or from time to time after the twentieth (20th) Business Day following Original Issuance Date and prior to 5:00 p.m., New York City time, on the later of (i) six (6) years from the Original Issuance Date and (ii) ninety (90) days from receipt by the holder of this Warrant of the Expiration Notice (the "EXPIRATION DATE"), all subject to the terms, conditions and adjustments set forth below in this Warrant. Capitalized terms used in this Warrant and not otherwise defined shall have the respective meanings specified in Section 13.

This Warrant is one of the Common Stock Purchase Warrants (the "WARRANTS", such term to include all Warrants issued in substitution or exchange therefor) issued in connection with and as consideration for (i) the Credit Agreement dated as of July 23, 2001 (the "CREDIT AGREEMENT") among the Company, Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc., as borrowers, the Holders and Wachovia, as agent and (ii) the Subordinated Note and

Warrant Purchase Agreement dated as of July 23, 2001 (the "PURCHASE AGREEMENT") among the Company and the Holders.

1. EXERCISE OF WARRANT.

1A. MANNER OF EXERCISE. This Warrant may be exercised by the holder hereof, in whole or in part, during normal business hours on any Business Day on or after the twentieth (20th) Business Day following the Original Issuance Date to and including the Expiration Date, by surrender of this Warrant, with the form of subscription at the end hereof (or a reasonable facsimile thereof) duly executed by such holder, to the Company at its principal office (or, if such exercise shall be in connection with an underwritten public offering of shares of Common Stock (or Other Securities) subject to this Warrant, at the location at which the underwriters shall have agreed to accept delivery thereof), accompanied by payment (except as otherwise provided in Section 1F), by wire transfer of immediately available funds to a bank account designated by the Company or by certified or official bank check payable to the order of the Company), in the amount obtained by multiplying (a) the number of shares of Original Common Stock (without giving effect to any adjustment therein) designated in such form of subscription by (b) the applicable Initial Exercise Price.

1B. ADJUSTMENT TO NUMBER OF SHARES OF COMMON STOCK. The number of duly authorized, validly issued, fully paid and nonassessable shares of Warrant Stock which the holder of this Warrant shall be entitled to receive upon each exercise hereof shall be determined by multiplying the number of shares of Warrant Stock which would otherwise (but for the provisions of Section 2) be issuable upon such exercise, as designated by the holder hereof pursuant to Section 1A, by a fraction of which (x) the numerator is the applicable Initial Exercise Price and (y) the denominator is the Exercise Price in effect on the date of such exercise. The "EXERCISE PRICE" shall initially be equal to the applicable Initial Exercise Price, shall be adjusted and readjusted from time to time as provided in Section 2 and, as so adjusted and readjusted, shall remain in effect until a further adjustment or readjustment thereof is required by Section 2.

1C. WHEN EXERCISE EFFECTIVE. Each exercise of this Warrant shall be deemed to have been effected and the Exercise Price shall be determined immediately prior to the close of business (unless such exercise shall be in connection with an underwritten public offering of shares of Common Stock (or Other Securities) subject to this Warrant, in which event concurrently with such exercise) on the Business Day on which this Warrant shall have been surrendered to the Company as provided in Section 1A, and at such time the person or persons in whose name or names any certificate or certificates for shares of Warrant Stock (or Other Securities) shall be issuable upon such exercise as provided in Section 1C shall be deemed to have become the holder or holders of record thereof.

1D. DELIVERY OF STOCK CERTIFICATES, ETC. Promptly after the exercise of this Warrant, in whole or in part, and in any event within three (3) Business Days thereafter (unless such exercise

shall be in connection with an underwritten public offering of shares of Common Stock (or Other Securities) subject to this Warrant, in which event concurrently with such exercise), the Company at its expense shall cause to be issued in the name of and delivered to the holder hereof or, subject to Section 8, as such holder may direct,

(a) a certificate or certificates for the number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such holder shall be entitled upon such exercise, and

(b) in case such exercise is in part only, a new Warrant or Warrants of like tenor, specifying in the aggregate on the face or faces thereof the number of shares of Original Common Stock equal to the number of such shares specified on the face of this Warrant (as adjusted pursuant to Section 2 herein) minus the number of such shares designated by the holder upon such exercise as provided in Section 1A and any amount of shares which shall have been cancelled in payment or partial payment of the Exercise Price as provided in Section 1F.

1E. FRACTIONAL SHARES. No fractional shares shall be issued upon exercise of this Warrant and no payment or adjustment shall be made upon any exercise on account of any cash dividends (except as provided in Section 2B) on the Warrant Stock or Other Securities issued upon such exercise. If any fractional interest in a share of Warrant Stock would, except for the provisions of the first sentence of this Section 1E, be deliverable upon the exercise of this Warrant, the Company shall, in lieu of delivering the fractional share therefor, pay to the holder exercising this Warrant an amount in cash equal to the product of the Market Price then in effect and such fractional interest.

1F. CASHLESS EXERCISE. As an alternative to or in combination with the exercise of this Warrant by payment by wire transfer of immediately available funds (or by certified or official bank check), as provided above in Section 1A, the holder of this Warrant may exercise its right to purchase some or all of the shares of Warrant Stock pursuant to this Warrant, on a net basis without the exchange of any funds (a "CASHLESS EXERCISE"), such that the holder hereof receives that number of shares of Warrant Stock subscribed to pursuant to this Warrant less that number of shares of Warrant Stock, valued at Market Price, at the time of exercise equal to the aggregate Exercise Price that would otherwise have been paid by the holder of this Warrant for such shares of Warrant Stock.

1G. NOTICE OF EXPIRATION. The Company shall give to the holder of this Warrant at least ninety (90) days prior to July 23, 2007 but in any event no more than one hundred twenty (120) days prior to such date, written notice of the expiration of this Warrant (the "EXPIRATION NOTICE").

2. PROTECTION AGAINST DILUTION OR OTHER IMPAIRMENT OF RIGHTS; ADJUSTMENT OF EXERCISE PRICE.

2A. ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK. In case the Company, at any time or from time to time after the Original Issuance Date, shall issue or sell Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 2C or 2D) without consideration or for a consideration per share (determined pursuant to Section 2E) less than the Market Price in effect on the date of and immediately prior to such issue or sale, then, and in each such case, subject to Section 2H, the Exercise Price shall be reduced, concurrently with such issue or sale, to a price determined by multiplying the Exercise Price then in effect by a fraction,

(a) the numerator of which shall be equal to (i) the number of shares of Common Stock outstanding immediately prior to such issue or sale plus (ii) the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of such Additional Shares of Common Stock so issued or sold would purchase at the Market Price then in effect, and

(b) the denominator of which shall be equal to the number of shares of Common Stock outstanding immediately after such issue or sale of Additional Shares of Common Stock,

provided that, for the purposes of this Section 2A, (x) immediately after any Additional Shares of Common Stock are deemed to have been issued pursuant to Section 2C or 2D, such Additional Shares shall be deemed to be outstanding, and (y) treasury shares shall not be deemed to be outstanding. Any adjustment to the Exercise Price shall cause simultaneously a proportional increase in the number of shares of Original Common Stock that the holder hereof is entitled to purchase pursuant to this Warrant.

2B. EXTRAORDINARY DIVIDENDS AND DISTRIBUTIONS. In case the Company at any time or from time to time after the Original Issuance Date shall declare, order, pay or make a dividend or other distribution (including, without limitation, any distribution of other or additional stock or other securities or property or Options by way of dividend or spin-off, reclassification, recapitalization or similar corporate rearrangement and any redemption or acquisition of any such stock or Options on the Common Stock) other than a dividend described in Section 2D or payable in Additional Shares of Common Stock or in Options for Common Stock, then the Company shall pay over to the holder of this Warrant, on the date on which such dividend or other distribution is paid to the holders of Common Stock, the securities and other property (including cash) which such holder would have received if such holder had exercised this Warrant in full immediately prior to the record date fixed in connection with such dividend or other distribution or, in the absence of a record date, immediately prior to the date of such payment or distribution.

2C. TREATMENT OF OPTIONS AND CONVERTIBLE SECURITIES. In case the Company, at any time or from time to time after the Original Issuance Date, shall issue, sell, grant or assume, or shall fix a record date for the determination of holders of any class of securities entitled to receive, any Options or Convertible Securities, whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable, then, and in each such case, the maximum number of Additional Shares of Common Stock (as set forth in the instrument relating thereto, without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, issuable upon the conversion or exchange of such Convertible Securities (or the exercise of such Options for Convertible Securities and subsequent conversion or exchange of the Convertible Securities issued), shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue, sale, grant or assumption or, in case such a record date shall have been fixed, as of the close of business on such record date, provided, that such Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Section 2E) of such shares would be less than the Market Price in effect on the date of and immediately prior to such issue, sale, grant or assumption or immediately prior to the close of business on such record date or, if the Common Stock trades on an ex-dividend basis, on the date prior to the commencement of ex-dividend trading, as the case may be, and provided, further, that in any such case in which Additional Shares of Common Stock are deemed to be issued,

(a) if an adjustment of the Exercise Price shall be made upon the fixing of a record date as referred to in the first sentence of this Section 2C, no further adjustment of the Exercise Price shall be made as a result of the subsequent issue or sale of any Options or Convertible Securities for the purpose of which such record date was set;

(b) no further adjustment of the Exercise Price shall be made upon the subsequent issue or sale of Additional Shares of Common Stock or Convertible Securities upon the exercise of such Options or the conversion or exchange of such Convertible Securities;

(c) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Company, or change in the number of Additional Shares of Common Stock issuable, upon the exercise, conversion or exchange thereof (by change of rate or otherwise), the Exercise Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such change becoming effective, be recomputed to reflect such change insofar as it affects such Options, or the rights of conversion or exchange under such Convertible Securities, which are outstanding at such time;

(d) upon the expiration of any such Options or of the rights of conversion or exchange under any such Convertible Securities which shall not have been exercised (or upon purchase by the Company and cancellation or retirement of any such Options which shall not have been exercised or of any such Convertible Securities the rights of conversion or exchange under which shall not have been exercised), the Exercise Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration (or such cancellation or retirement, as the case may be), be recomputed as if:

(i) in the case of Options for Common Stock or in the case of Convertible Securities, the only Additional Shares of Common Stock issued or sold (or deemed issued or sold) were the Additional Shares of Common Stock, if any, actually issued or sold upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was (x) an amount equal to (A) the consideration actually received by the Company for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (B) the consideration actually received by the Company upon such exercise, minus (C) the consideration paid by the Company for any purchase of such Options which were not exercised, or (y) an amount equal to (A) the consideration actually received by the Company for the issue, sale, grant or assumption of all such Convertible Securities which were actually converted or exchanged, plus (B) the additional consideration, if any, actually received by the Company upon such conversion or exchange, minus (C) the excess, if any, of the consideration paid by the Company for any purchase of such Convertible Securities, the rights of conversion or exchange under which were not exercised, over an amount that would be equal to the Fair Value of the Convertible Securities so purchased if such Convertible Securities were not convertible into or exchangeable for Additional Shares of Common Stock, and

(ii) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued or sold upon the exercise of such Options were issued at the time of the issue, sale, grant or assumption of such Options, and the consideration received by the Company for the Additional Shares of Common Stock deemed to have then been issued was an amount equal to (x) the consideration actually

received by the Company for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (y) the consideration deemed to have been received by the Company (pursuant to Section 2E) upon the issue or sale of the Convertible Securities with respect to which such Options were actually exercised, minus (z) the consideration paid by the Company for any purchase of such Options which were not exercised; and

(e) no recomputation pursuant to subsection (c) or (d) above shall have the effect of increasing the Exercise Price then in effect by an amount in excess of the amount of the adjustment thereof originally made in respect of the issue, sale, grant or assumption of such Options or Convertible Securities.

2D. TREATMENT OF STOCK DIVIDENDS, STOCK SPLITS, ETC. In case the Company, at any time or from time to time after the Original Issuance Date, shall declare or pay any dividend or other distribution on any class or series of securities of the Company payable in shares of Common Stock, or shall effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock), then, and in each such case, the Exercise Price in effect immediately prior to such split or dividend shall, concurrently with the effectiveness of such split or dividend be proportionately decreased. For purposes of this Section 2D, Additional Shares of Common Stock shall be deemed to have been issued (a) in the case of any such dividend or other distribution, immediately after the close of business on the record date for the determination of holders of any class or series of securities entitled to receive such dividend or other distribution (or if no such record is taken, then immediately prior to such payment or other distribution), or (b) in the case of any such subdivision, at the close of business on the day immediately prior to the day upon which such corporate action becomes effective.

2E. COMPUTATION OF CONSIDERATION. For the purposes of this Warrant:

(a) The consideration for the issue or sale of any Additional Shares of Common Stock or for the issue, sale, grant or assumption of any Options or Convertible Securities, irrespective of the accounting treatment of such consideration,

(i) insofar as it consists of cash, shall be computed as the amount of cash received by the Company, and insofar as it consists of securities or other property, shall be computed as of the date immediately preceding such issue, sale, grant or assumption as the Fair Value of such consideration (or, if such consideration is received for the issue or sale of Additional Shares of Common Stock and the Market Price of such securities is less than the Fair Value of such consideration, then such consideration shall be valued at the Market Price of such Additional Shares of Common Stock), in each case without deducting any expenses paid or incurred by the Company, any commissions or compensation paid or concessions or discounts allowed to underwriters, dealers or others performing similar services or any accrued interest or dividends in connection with such issue or sale, and

(ii) in case Additional Shares of Common Stock are issued or sold or Options or Convertible Securities are issued, sold, granted or assumed together with other stock or securities or other assets of the Company for a consideration

which covers both, shall be the proportion of such consideration so received, computed as provided in clause (i) above, allocable to such Additional Shares of Common Stock or Options or Convertible Securities, as the case may be, all as determined in good faith by the Board of Directors or the

Company.

(b) All Additional Shares of Common Stock, Options or Convertible Securities issued in payment of any dividend or other distribution on any class or series of stock of the Company and all Additional Shares of Common Stock issued to effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) shall be deemed to have been issued without consideration.

(c) Additional Shares of Common Stock deemed to have been issued for consideration pursuant to Section 2C, relating to Options and Convertible Securities, shall be deemed to have been issued for a consideration per share determined by dividing

(i) the total amount, if any, received and receivable by the Company as consideration for the issue, sale, grant or assumption of the Options or Convertible Securities in question, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise in full of such Options or the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, in each case computing such consideration as provided in the foregoing subsection (a),

by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

2F. ADJUSTMENTS FOR COMBINATIONS, ETC. In case at any time or from time to time after the Original Issuance Date, the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Exercise Price in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

2G. DILUTION IN CASE OF OTHER SECURITIES. In case at any time or from time to time after the Original Issuance Date, any Other Securities shall be issued or sold or shall become

subject to issue or sale upon the conversion or exchange of any capital stock (or Other Securities) of the Company (or any issuer of Other Securities or any other Person referred to in Section 2I) or to subscription, purchase or other acquisition pursuant to any Options issued or granted by the Company (or any such other issuer or Person) for a consideration such as to dilute the exercise rights granted by this Warrant on a basis to which the other provisions of this Section 2 do not apply, then, and in each such case, the computations, adjustments and readjustments provided for in this Warrant with respect to the Exercise Price shall be made as nearly as possible in the manner so provided and applied to determine the amount of Other Securities from time to time receivable upon the exercise of this Warrant, so as to protect the holder of this Warrant against the effect of such dilution.

2H. MINIMUM ADJUSTMENT OF EXERCISE PRICE. If the amount of any adjustment of the Exercise Price required hereunder would be less than 1% of the Exercise Price in effect at the time such adjustment is otherwise so required to be made, such amount shall be carried forward and adjustment with respect thereto made at the time of and together with any subsequent adjustment which,

together with such amount and any other amount or amounts so carried forward, shall equal in the aggregate at least 1% of such Exercise Price.

2I. CAPITAL REORGANIZATION. If there shall be any consolidation or merger to which the Company is a party, other than a consolidation or a merger in which the Company is a continuing corporation and which does not result in any reclassification of, or change (other than within Section 2F or a change in par value) in, outstanding shares of Common Stock, or any sale or conveyance of the property of the Company as an entirety or substantially as an entirety (any such event being called a "CAPITAL REORGANIZATION"), then, effective upon the effective date of such Capital Reorganization, the holder of this Warrant shall have the right to purchase, upon exercise of this Warrant, the kind and amount of shares of stock and other securities and property (including cash) which such holder would have owned or have been entitled to receive after such Capital Reorganization if this Warrant had been exercised immediately prior to such Capital Reorganization. Notwithstanding anything contained herein to the contrary, the Company shall not effect any Capital Reorganization unless prior to the consummation thereof each corporation or entity (other than the Company) which may be required to deliver any securities or other property upon the exercise of Warrants shall assume, by written instrument delivered to each holder of Warrants, the obligation to deliver to such holder such securities or other property as to which, in accordance with the foregoing provisions, such holder may be entitled, and such corporation or entity shall have similarly delivered to the holder of this Warrant an opinion of counsel for such corporation or entity, satisfactory to the holder of this Warrant, which opinion shall state that all the outstanding Warrants shall thereafter continue in full force and effect and shall be enforceable against such corporation or entity in accordance with the terms hereof and thereof, and address such other matters as such holder may reasonably request. The provisions of this Section shall similarly apply to successive Capital Reorganizations.

2J. CERTAIN ISSUES EXCEPTED. Anything herein to the contrary notwithstanding, the Company shall not be required to make any adjustment of the Exercise Price in the case of (i) the issuance of the Warrants; (ii) the issuance of shares of Warrant Stock issuable upon exercise of the Warrants; and (iii) the issuance of shares of Common Stock pursuant to the Crown Crafts, Inc. Stock Plan of the Company dated July 23, 2001.

2K. NOTICE OF ADJUSTMENT. Upon the occurrence of any event requiring an adjustment of the Exercise Price, then and in each such case the Company shall promptly deliver to the holder of this Warrant an Officer's Certificate stating the Exercise Price resulting from such adjustment and the increase or decrease, if any, in the number of shares of Common Stock issuable upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Within ninety (90) days after the end of each fiscal year in which any such adjustment shall have occurred, or within thirty (30) days after any request therefor by the holder of this Warrant stating that such holder contemplates the exercise of such Warrant, the Company will obtain and deliver to the holder of this Warrant the opinion of its regular independent auditors or another firm of independent public accountants of recognized national standing selected by the Company's Board of Directors, which opinion shall confirm the statements in the most recent Officer's Certificate delivered under this Section 2K. It is understood and agreed that the independent public accountants rendering any such opinion shall be entitled expressly to assume in such opinion the accuracy of any determination of fair value made by the Company's Board of Directors pursuant to Section 2E.

2L. OTHER NOTICES. In case at any time:

(a) the Company shall declare to the holders of Common Stock any dividend other than a regular periodic cash dividend or any periodic cash dividend in excess of 115% of the cash dividend for the comparable fiscal period in the immediately preceding fiscal year;

(b) the Company shall declare or pay any dividend upon Common Stock payable in stock or make any special dividend or other distribution (other than regular cash dividends) to the holders of

Common Stock;

(c) the Company shall offer for subscription pro rata to the holders of Common Stock any additional shares of stock of any class or series or other rights;

(d) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of the property, business or assets of the Company to, another corporation or other entity;

(e) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company or any partial liquidation of the Company or distribution to holders of Common Stock;

(f) there shall be made any tender offer for any shares of capital stock of the Company; or

(g) there shall be any other Transaction;

then, in any one or more of such cases, the Company shall give to the holder of this Warrant (i) at least fifteen (15) days prior to any event referred to in subsection (a) or (b) above, at least thirty (30) days prior to any event referred to in subsection (c), (d) or (e) above, and within five (5) days after it has knowledge of any pending tender offer or other Transaction, written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up or Transaction or the date by which shareholders must tender shares in any tender offer and (ii) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up or tender offer or Transaction known to the Company, at least thirty (30) days prior written notice of the date (or, if not then known, a reasonable approximation thereof by the Company) when the same shall take place. Such notice in accordance with the foregoing clause (i) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto, and such notice in accordance with the foregoing clause (ii) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up, tender offer or Transaction, as the case may be. Such notice shall also state that the action in question or the record date is subject to the effectiveness of a registration statement under the Securities Act or to a favorable vote of security holders, if either is required.

2M. CERTAIN EVENTS. If any event occurs as to which, in the good faith judgment of the Board of Directors of the Company, the other provisions of this Warrant are not strictly applicable or if strictly applicable would not fairly protect the exercise rights of the holders of the Warrants in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Company shall appoint its regular independent auditors or another firm of independent public accountants of recognized national standing which shall give their opinion upon the adjustment, if any, on a basis consistent with such essential intent and principles, necessary to preserve, without dilution, the rights of the holders of the Warrants. Upon receipt of such opinion, the Board of Directors of the Company shall forthwith make the adjustments described therein; provided, that no such adjustment shall have the effect of increasing the Exercise Price as otherwise determined pursuant to this Warrant. The Company may make such

reductions in the Exercise Price as it deems advisable, including any reductions

necessary to ensure that any event treated for Federal income tax purposes as a distribution of stock or stock rights not be taxable to recipients.

2N. PROHIBITION OF CERTAIN ACTIONS. The Company will not, by amendment of its certificate of incorporation or by-laws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant against dilution or other impairment, consistent with the tenor and purpose of this Warrant. Without limiting the generality of the foregoing, the Company (a) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (b) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock, free and clear of any Liens upon the exercise of all Warrants from time to time outstanding, (c) will not take any action which results in any adjustment of the Exercise Price if the total number of shares of Common Stock or Other Securities issuable after the action upon the exercise of all of the Warrants would exceed the total number of shares of Common Stock or Other Securities then authorized by the Company's certificate of incorporation and available for the purpose of issue upon such conversion, and (d) will not issue any capital stock of any class or series which has the right to more than one vote per share or any capital stock of any class or series which is preferred as to dividends or as to the distribution of assets upon voluntary or involuntary dissolution, liquidation or winding-up, unless the rights of the holders thereof shall be limited to a fixed sum or percentage (or floating rate related to market yields) of par value or stated value in respect of participation in dividends and a fixed sum or percentage of par value or stated value in any such distribution of assets.

2O. NO ADJUSTMENT IN EXERCISE PRICE. Any provision herein to the contrary notwithstanding, no adjustment in the Exercise Price shall be made in respect of the issuance of Additional Shares of Common Stock, or the issuance, sale, grant or assumption of any Options or Convertible Securities, unless the consideration per share (determined pursuant to Section 2E) for an Additional Share of Common Stock issued or deemed to be issued by the Company is less than the Market Price in effect on the date of, and immediately prior to, any such issue, sale, grant or assumption.

3. STOCK TO BE RESERVED. The Company will at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of issue upon the exercise of this Warrant and conversion of the Warrant Stock issued upon exercise hereof as herein provided, such number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants and conversion of all Warrant Stock issuable upon exercise

of all outstanding Warrants, and the Company will maintain at all times all other rights and privileges sufficient to enable it to fulfill all its obligations hereunder. The Company covenants that all shares of Common Stock which shall be so issuable shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, free from preemptive or similar rights on the part of the holders of any shares of capital stock or securities of the Company or any other Person, and free from all taxes, Liens and charges with respect to the issue thereof (not including any income taxes payable by the holders of Warrants being exercised in respect of gains thereon), and the Exercise Price will be credited to the capital and surplus of the Company. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any applicable requirements of the National Association of Securities Dealers, Inc. and of any domestic securities exchange upon which the Common Stock may be listed.

4. REGISTRATION OF COMMON STOCK. If any shares of Common Stock required to be reserved for purposes of the exercise of Warrants or the

conversion of shares of Warrant Stock require registration with or approval of any governmental authority under any Federal or State law (other than the Securities Act, registration under which is governed by the Registration Rights Agreement), before such shares may be issued upon the exercise thereof, the Company will, at its expense and as expeditiously as possible, use its best efforts to cause such shares to be duly registered or approved, as the case may be. Shares of Common Stock issuable upon exercise of the Warrants or conversion of the Warrant Stock shall be registered by the Company under the Securities Act or similar statute then in force if required by the Registration Rights Agreement and subject to the conditions stated in such agreement. At any such time as the Common Stock is listed on any national securities exchange or quoted by the Nasdaq National Market or any successor thereto or any comparable system, the Company will, at its expense, obtain promptly and maintain the approval for the listing on each such exchange or the quoting by the Nasdaq National Market or such successor thereto or comparable system, upon official notice of issuance, of the shares of Common Stock issuable upon exercise of the then outstanding Warrants or conversion of the then outstanding Warrant Stock and maintain the listing or quoting of such shares after their issuance so long as the Common Stock is so listed or quoted; and the Company will also cause to be so listed or quoted, will register under the Exchange Act and will maintain such listing or quoting of, any Other Securities that at any time are issuable upon exercise of the Warrants, if and at the time that any securities of the same class or series shall be listed on such national securities exchange by the Company.

5. ISSUE TAX. The issuance of certificates for shares of Warrant Stock upon exercise of this Warrant shall be made without charge to the holder hereof for any issuance tax in respect thereto.

6. CLOSING OF BOOKS. The Company will at no time close its transfer books against the transfer of any Warrant or of any share of Warrant Stock issued or issuable upon the exercise of any Warrant in any manner which interferes with the timely exercise of such Warrant.

7. NO RIGHTS OR LIABILITIES AS STOCKHOLDERS. This Warrant shall not entitle the holder hereof to any of the rights of a stockholder of the Company, except as expressly contemplated herein. No provision of this Warrant, in the absence of the actual exercise of such Warrant and receipt by the holder thereof of Warrant Stock issuable upon such exercise, shall give rise to any liability on the part of such holder as a stockholder of the Company, whether such liability shall be asserted by the Company or by creditors of the Company.

8. RESTRICTIVE LEGENDS. Except as otherwise permitted by this Section 8, each Warrant originally issued and each Warrant issued upon direct or indirect transfer or in substitution for any Warrant pursuant to this Section 8 shall be stamped or otherwise imprinted with a legend in substantially the following form:

> "This Warrant has not been registered under the Securities Act of 1933, as amended (the "ACT"), and may not be transferred in the absence of such registration or an exemption therefrom under such Act."

Except as otherwise permitted by this Section 8, (a) each certificate for Warrant Stock (or Other Securities) issued upon the exercise of any Warrant, and (b) each certificate issued upon the direct or indirect transfer of any such Warrant Stock (or Other Securities) shall be stamped or otherwise imprinted with a legend in substantially the following form:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "ACT"), and may not be transferred in the absence of such registration or an exemption therefrom under such Act."

The holder of any Restricted Securities shall be entitled to receive from the Company, without expense, new securities of like tenor not bearing the applicable legend set forth above in this Section 8 when such securities shall have been (a) effectively registered under the Securities Act and disposed of in accordance with the registration statement covering such Restricted Securities,

(b) sold to the public pursuant to Rule 144 or any comparable rule under the Securities Act, or (c) when, in the opinion of independent counsel for the holder thereof experienced in Securities Act matters, such restrictions are no longer required in order to insure compliance with the Securities Act. The Company will pay the reasonable fees and disbursements of counsel for any holder of Restricted Securities in connection with all opinions rendered pursuant to this Section 8.

9. AVAILABILITY OF INFORMATION. The Company will cooperate with each holder of any Restricted Securities in supplying such information as may be necessary for such holder to complete and file any information-reporting forms presently or hereafter required by the Commission as a condition to the availability of an exemption from the Securities Act for the sale of any Restricted Securities. The Company will furnish to each holder of any Warrants, promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Company to its stockholders, and

copies of all regular and periodic reports and all registration statements and prospectuses filed by the Company with any securities exchange or with the Commission.

10. INFORMATION REQUIRED BY RULE 144A. The Company will, upon the request of the holder of this Warrant, provide such holder, and any qualified institutional buyer designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Warrants, except at such times as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. For the purpose of this Section 10, the term "qualified institutional buyer" shall have the meaning specified in Rule 144A under the Securities Act.

11. REGISTRATION RIGHTS AGREEMENT. The holder of this Warrant and the holders of any securities issued or issuable upon the exercise hereof are each entitled to the benefits of the Registration Rights Agreement.

12. OWNERSHIP, TRANSFER AND SUBSTITUTION OF WARRANTS.

12A. OWNERSHIP OF WARRANTS. Except as otherwise required by law, the Company may treat the Person in whose name any Warrant is registered on the register kept at the principal office of the Company as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary. Subject to Section 8, a Warrant, if properly assigned, may be exercised by a new holder without first having a new Warrant issued.

12B. TRANSFER AND EXCHANGE OF WARRANTS. This Warrant is freely transferable with or without the Notes issued under and as defined in the Purchase Agreement.. Upon the surrender of any Warrant, properly endorsed, for registration of transfer or for exchange at the principal office of the Company, the Company at its expense will (subject to compliance with Section 8, if applicable) execute and deliver to or upon the order of the holder thereof a new Warrant or Warrants of like tenor, in the name of such holder or as such holder (upon payment by such holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Original Common Stock called for on the face or faces of the Warrant or Warrants so surrendered.

12C. REPLACEMENT OF WARRANTS. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction of any Warrant held by a Person other than the holder, upon delivery of its unsecured indemnity or, in the case of any such mutilation, upon surrender of such Warrant for cancellation at the principal office of the Company, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

13. DEFINITIONS. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"ACQUIRING COMPANY" shall have the meaning specified in Section 2I.

"ACQUIRER'S COMMON STOCK" shall have the meaning specified in Section 2I.

"ADDITIONAL SHARES OF COMMON STOCK" shall mean all shares (including treasury shares) of Common Stock issued or sold (or deemed to be issued pursuant to Section 2C or 2D) by the Company after the Original Issuance Date, whether or not subsequently reacquired or retired by the Company, other than shares of Common Stock issued upon (i) the exercise or partial exercise of the Warrants, or (ii) the conversion of the Warrant Stock issued upon exercise of the Warrants into Series A Common Stock.

"AFFILIATE" shall have the meaning specified in the Purchase Agreement.

"ANNOUNCEMENT DATE" shall have the meaning specified in Section 2I.

"BOFA" shall mean Bank of America, N.A., together with its successors and assigns.

"BUSINESS DAY" shall mean any day on which banks are open for business in Atlanta, Georgia and New York City (other than a Saturday, Sunday or legal holiday in the States of New York, New Jersey or Georgia), provided, that any reference to "days" (unless Business Days are specified) shall mean calendar days.

"CASHLESS EXERCISE" shall have the meaning specified in Section 1F.

"COMMISSION" shall mean the Securities and Exchange Commission or any successor federal agency having similar powers.

"COMMON STOCK" shall mean the Warrant Stock, any Series A Common Stock or any other capital stock into which such stock shall have been converted or changed or any stock resulting from any reclassification of such stock and all other stock of any class or classes (however designated) of the Company the holders of which have the right, without limitation as to amount, either to all or to a share of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference.

"COMPANY" shall mean Crown Crafts, Inc., a Georgia corporation.

"CONSUMMATION DATE" shall have the meaning specified in Section 2I.

"CONVERTIBLE SECURITIES" shall mean any evidences of indebtedness, shares of capital stock (other than Common Stock) or other securities which are or may be at any time directly or indirectly convertible into or exchangeable for Additional Shares of Common Stock.

"CREDIT AGREEMENT" shall have the meaning specified in the opening paragraphs of this Warrant.

"EXCHANGE ACT" shall mean the Securities and Exchange Act of 1934, as amended.

"EXERCISE PRICE" shall have the meaning specified in Section 1B.

"EXPIRATION DATE" shall have the meaning specified in the opening paragraphs of this Warrant.

"EXPIRATION NOTICE" shall have the meaning specified in Section 1G.

"FAIR VALUE" shall mean with respect to any securities or other property, the fair value thereof as of a date which is within fifteen (15) days of the date as of which the determination is to be made (a) determined by agreement between the Company and the Required Holders, or (b) if the Company and the Required Holders fail to agree, determined jointly by an independent investment banking firm retained by the Company and by an independent investment banking firm retained by the Required Holders, either of which firms may be an independent investment banking firm regularly retained by the Company, or (c) if the Company or the Required Holders shall fail so to retain an independent investment banking firm within ten (10) Business Days of the retention of such a firm by the Required Holders or the Company, as the case may be, determined solely by the firm so retained, or (d) if the firms so retained by the Company and by such holders shall be unable to reach a joint determination within fifteen (15) Business Days of the retention of the last firm so retained, determined by another independent investment banking firm which is not a regular investment banking firm of the Company chosen by the first two such firms.

"INITIAL EXERCISE PRICE" shall have the meaning specified in the opening paragraphs of this Warrant.

"LIENS" shall mean any mortgage, pledge, security interest, encumbrance, lien (statutory or otherwise) or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement for the purpose, or having the effect, of protecting a creditor against loss or securing the payment or performance of an obligation.

"MARKET PRICE" shall mean on any date specified herein, (a) with respect to Common Stock or to common stock (or equivalent equity interests) of an Acquiring Person or its Parent, the amount per share equal to (i) the average sale price of the last

sale price of shares of Common Stock, regular way, or of shares of such common stock (or equivalent equity interests) for the immediately preceding twenty (20) Business Days (or such other period as may be specified in this Warrant) or, if no such sale takes place on any such date, the average of the closing bid and asked prices thereof on such date, in each case as officially reported on the principal national securities exchange on which the same are then listed or admitted to trading, or (ii) if no shares of Common Stock or no shares of such common stock (or equivalent equity interests), as the case may be, are then listed or admitted to trading on any national securities exchange, the average sale price of the last sale price of shares of Common Stock, regular way, or of shares of such common stock (or equivalent equity interests) for the immediately preceding twenty (20) Business Days (or such other period as may be specified in this Warrant), or, if no such sale takes place on any such date, the average of the reported closing bid and asked prices thereof on such date, in each case as quoted in the Nasdaq National Market or, if no shares of Common Stock or no shares of such common stock (or equivalent equity interest), as the case may be, are then quoted in the Nasdaq National Market, as published by the National Quotation Bureau, Incorporated or any similar successor organization, and in either case as reported by any member

firm of the New York Stock Exchange selected by the Company, or (iii) if no shares of Common Stock or no shares of such common stock (or equivalent equity interests), as the case may be, are then listed or admitted to trading on any national securities exchange or quoted or published in the over-the-counter market, the higher of (x) the book value thereof as determined by any firm of independent public accountants of recognized standing selected by the Board of Directors of the Company, as of the last day of any month ending within sixty (60) days preceding the date as of which the determination is to be made or (y) the Fair Value thereof; and (b) with respect to any other securities, the Fair Value thereof; provided, that all determinations of the Market Price shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during such period.

"OFFICER'S CERTIFICATE" shall mean a certificate signed in the name of the Company by its President, one of its Vice Presidents or its Treasurer.

"OPTIONS" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Additional Shares of Common Stock or Convertible Securities.

"ORGANIC DOCUMENT" means, relative to any Person, its articles or certificate of incorporation or organization or certificate of limited partnership, its by-laws, partnership or operating agreement or other organizational documents, and all stockholders agreements, voting trusts and similar arrangements applicable to any of its stock or partnership interests or other ownership interests, in each case, as amended.

"ORIGINAL ISSUANCE DATE" shall mean July 23, 2001, the original date of issuance of this Warrant.

"OTHER SECURITIES" shall mean any stock (other than Common Stock) and any other securities of the Company or any other Person (corporate or otherwise) which the holders of the Warrants at any time shall be entitled to receive, or shall have received, upon the exercise of the Warrants, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 2I or otherwise.

"PARENT" shall have the meaning specified in Section 2I.

"PERSON" shall mean and include an individual, a partnership, an association, a joint venture, a corporation, a trust, a limited liability company, an unincorporated organization and a government or any department or agency thereof.

"PRUDENTIAL" shall mean The Prudential Insurance Company of America, together with its successors and assigns.

"PURCHASE AGREEMENT" shall have the meaning specified in the opening paragraphs of this Warrant.

"REGISTRATION RIGHTS AGREEMENT" shall mean the Registration Rights Agreement dated of even date herewith by and among the Company, WACHOVIA, BofA and Prudential, as amended, modified or supplemented from time to time in accordance with its terms.

"REQUIRED HOLDERS" shall mean the holders of at least 66 2/3% of all the Warrants at the time outstanding, determined on the basis of the number of shares of Common Stock then purchasable upon the exercise of all Warrants then outstanding.

"RESTRICTED SECURITIES" shall mean (a) any Warrants bearing the applicable legend set forth in Section 8 and (b) any shares of

Common Stock (or Other Securities) which have been issued upon the exercise of Warrants and which are evidenced by a certificate or certificates bearing the applicable legend set forth in such section, and (c) unless the context otherwise requires, any shares of Common Stock (or Other Securities) which are at the time issuable upon the exercise of Warrants and which, when so issued, will be evidenced by a certificate or certificates bearing the applicable legend set forth in such section.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SERIES A COMMON STOCK" shall mean the voting series A common stock, par value $1.00 per share, of the Company

"TRANSACTION" shall have the meaning specified in Section 2I.

"WACHOVIA" shall mean Wachovia Bank, N.A. and its successors and assigns.

"WARRANT" shall have the meaning specified in the opening paragraphs of this Warrant.

"WARRANT STOCK" shall have the meaning specified in the opening paragraphs of this Warrant.

14. REMEDIES. The Company stipulates that the remedies at law of the holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

15. WARRANTIES, ETC. The Company represents and warrants, each and all of which representations and warranties are made as of the Original Issuance Date and shall survive the execution and delivery of this Warrant:

(a) CAPITALIZATION AND OWNERSHIP OF THE COMPANY; OTHER EQUITY RIGHTS. The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, of which (i) 34,377,748 shares have been designated Series A and 8,594,437 of which are outstanding on the Original Issuance Date; (ii) 10,246,329 shares have been designated Series B, none of which are issued and outstanding on the Original Issuance Date; and (iii) 5,375,923 shares have been designated Series C, none of which are outstanding on the Original Issuance Date. The record and, to the best knowledge of the Company, beneficial ownership of the outstanding capital stock of the Company as of the Original Issuance Date is set forth in Schedule 15(b). All such outstanding shares are duly authorized, validly issued, fully paid and nonassessable, and are not, and will not have been, issued in violation of any preemptive rights. No issued, no authorized but unissued and no treasury shares of capital stock of the Company are subject to any preemptive right, option, warrant, right of conversion or purchase or any similar right issued or granted by the Company or, to the best knowledge of the Company, by any of its shareholders. There are no agreements or understandings with respect to the voting, sale or transfer of any shares of capital stock of the Company to which the Company or, to the best knowledge of the Company, any of its shareholders is a party.

(b) AUTHORIZATION AND ISSUANCE OF WARRANTS. The issuance of the Warrants has been duly authorized and, upon delivery of the Warrant certificates in accordance with the terms hereof, the Warrants will have been validly issued and fully paid and nonassessable, free and clear of all Liens and the issuance thereof will not give rise to any preemptive rights. The issuance of the shares of Common Stock subject to the Warrants (including shares of Series A Common Stock

issuable upon conversion of Warrant Stock)

has been duly authorized and, when issued upon exercise of the Warrants or conversion of the Warrant Stock in accordance with the terms hereof, such shares will have been validly issued and fully paid and nonassessable, free and clear of all Liens. 22,345,536 shares of Common Stock have been duly reserved for issuance upon the exercise of the Warrants and conversion of the Warrant Stock. Except as set forth in the Registration Rights Agreement, no Person has the right to demand or any other right to cause the Company to file any registration statement under the Securities Act relating to any securities of the Company or any right to participate in the any such registration.

(c) SECURITIES LAWS. The offer, issuance, sale and delivery of the Warrants as provided in the Purchase Agreement, and the issuance and delivery of Common Stock upon the exercise of the Warrants or conversion of the Warrant Stock by the holder, are and will be exempt from the registration requirements of the Securities Act and all applicable state securities laws, as such laws are currently in effect.

(d) NO INTEGRATION OF ISSUE. Neither the Company nor any Person authorized or employed by the Company as agent, broker or otherwise in connection with the offering of the Warrants has offered the Warrants for sale to, or solicited any offers to buy the Warrants from, or otherwise approached or negotiated or communicated in respect thereof with, anyone other than Prudential, Wachovia and BofA. Neither the Company nor any Person acting on behalf of the Company will sell or offer any class or series of securities to, or solicit any offers to buy any class of securities from, or otherwise approach, negotiate or communicate in respect thereof with, any Person so as to require the registration of the Warrants under the Securities Act or any applicable state securities laws.

16. COVENANTS. The Company covenants and agrees that for so long as any Warrant Stock is outstanding:

(a) INCONSISTENT AGREEMENTS. The Company will not, and will not permit any Subsidiary to, enter into any agreement containing any provision which would be violated or breached by the issuance of the Warrants or shares in connection therewith or by the performance by the Company or any Subsidiary of its obligations under this Warrant.

(b) ORGANIC DOCUMENTS. The Company shall not permit to occur any amendment, alteration or modification to its Organic Documents, as constituted on the Original Issuance Date, the effect of which would be to alter, impair or adversely affect either the rights and benefits of the holders or the duties and obligations of the Company under this Warrant.

(c) ISSUANCE OF ADDITIONAL RIGHTS, OPTIONS AND WARRANTS. The Company shall not issue any rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or convertible securities, whether or not the right to exercise such

rights, options or warrants or to convert or exchange such convertible securities is immediately exercisable or is conditioned upon the passage of time, an occurrence or non-occurrence of some other event, or both.

(d) ANTITAKEOVER STATUTES. The Company shall take all action necessary to avoid the application of any "fair price," "moratorium," "control share acquisition," "business combination," "shareholder protection" or similar antitakeover statute to the

transactions contemplated by this Warrant.

17. NOTICES. All notices and other communications under this Warrant shall be in writing and shall be sent (a) by registered or certified mail, return receipt requested, or (b) by a recognized overnight delivery service, addressed (i) if to any holder of any Warrant or any holder of any Common stock (or Other Securities), at the registered address of such holder as set forth in the applicable register kept at the principal office of the Company, or (ii) if to the Company, to the attention of the Company's Chief Financial Officer at its principal office, provided that the exercise of any Warrant shall be effected in the manner provided in Section 1.

18. MISCELLANEOUS.

(a) This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(b) The agreements of the Company contained in this Warrant other than those applicable solely to the Warrants and the holders thereof shall inure to the benefit of and be enforceable by any holder or holders at the time of any Warrant Stock (or Other Securities) issued upon the exercise of Warrants, whether so expressed or not.

(c) This Warrant shall be construed and enforced in accordance with and governed by the laws of the State of New York.

(d) The section headings in this Warrant are for purposes of convenience only and shall not constitute a part hereof.

CROWN CRAFTS, INC.

By:

Name:
Title:

FORM OF SUBSCRIPTION
(To be executed only upon exercise of Warrant)

To CROWN CRAFTS, INC.

The undersigned registered holder of the within Warrant hereby irrevocably exercises such Warrant for, and purchases thereunder, _____ shares of Original Common Stock of CROWN CRAFTS, INC., [AND HEREWITH MAKES PAYMENT OF $_____ THEREFOR](1) [IN A CASHLESS EXERCISE PURSUANT TO SECTION 1F OF THE WITHIN WARRANT](2), and requests that the certificates for such shares be issued in the name of, and delivered to _____ whose address is _____.

Dated:

(Signature must conform in all respects to name of holder as specified on the face of this Warrant)

(Street Address)

(City) (State) (Zip Code)

- ---

(1) Use in connection with an exercise involving a delivery of funds to the Company.

(2) Use in connection with a Cashless Exercise.

FORM OF ASSIGNMENT
(To be executed only upon transfer of Warrant)

For value received, the undersigned registered holder of the within Warrant hereby sells, assigns and transfers unto _____ the right represented by such Warrant to purchase _____ shares of Common Stock of CROWN CRAFTS, INC., to which such Warrant relates, and appoints _____ Attorney to make such transfer on the books of CROWN CRAFTS, INC., maintained for such purpose, with full power of substitution in the premises.

Dated:

(Signature must conform in all respects to name of holder as specified on the face of this Warrant)

(Street Address)

(City) (State) (Zip Code)

Signed in the presence of:

EXHIBIT C

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of July 23, 2001 among CROWN CRAFTS, INC. (the "COMPANY") and THE PRUDENTIAL INSURANCE COMPANY OF AMERICA ("PRUDENTIAL"), WACHOVIA BANK, N.A. ("WACHOVIA") and BANK OF AMERICA, N.A. ("BOFA" and collectively, with Prudential, Wachovia and their respective successors and assigns, the "HOLDERS"). Capitalized terms used and not otherwise defined herein shall have the respective meanings given such term in Section 3.

1. BACKGROUND. The Company is the issuer of certain Common Stock Purchase Warrants (the "WARRANTS", such term to include all Warrants issued in substitution therefor) issued in connection with and as consideration for the Holders entering into (i) the Credit Agreement dated as of July 23, 2001 among

the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., the Holders and Wachovia, as agent, and (ii) the Subordinated Note and Warrant Purchase Agreement dated as of July 23, 2001 among the Company and the Holders, pursuant to which the Company has agreed to issue 5,375,923 shares of Series C Common Stock to Prudential, 7,149,841 shares of Series B Common Stock to Wachovia and 3,096,488 shares of Series B Common Stock to BofA (collectively, the "WARRANT SHARES"), each Warrant Share convertible into shares of Series A Common Stock.

2. REGISTRATION UNDER SECURITIES ACT, ETC.

2.1 REGISTRATION ON REQUEST.

(a) REQUEST. Upon the written request of the holders of more than a majority of the Registrable Securities then issued or issuable, requesting that the Company effect the registration under the Securities Act of all or part of such holders' Registrable Securities and specifying the intended method of disposition thereof and whether or not such requested registration is to be an underwritten offering, the Company will promptly give written notice of such requested registration to all other holders of Registrable Securities and thereupon the Company will use its best efforts to effect the registration under the Securities Act of:

(i) the Registrable Securities which the Company has been so requested to register by such holders, and

(ii) all other Registrable Securities which the Company has been requested to register by the holders thereof by written request given to the Company within 30 days after the giving of such written notice by the Company (which request shall specify the intended method of disposition of such Registrable Securities), all to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities so to be registered.

(b) REGISTRATION OF OTHER SECURITIES. Whenever the Company shall effect a registration pursuant to this Section 2.1 in connection with an underwritten offering by one or more holders of Registrable Securities, no securities other than Registrable Securities shall be included among the securities covered by such registration unless (a) the managing underwriter of such offering shall have advised each holder of Registrable Securities to be covered by such registration in writing that the inclusion of such other securities would not adversely affect such offering or (b) the holders of all Registrable Securities to be covered by such registration shall have consented in writing to the inclusion of such other securities.

(c) REGISTRATION STATEMENT FORM. Registrations under this Section 2.1 shall be on such appropriate registration form of the Commission (i) as shall be selected by the Company and as shall be reasonably acceptable to the holders of a majority of the Registrable Securities to be so registered and (ii) as shall permit the disposition of such Registrable Securities in accordance with the intended method or methods of disposition specified in their request for such registration. The Company agrees to include in any such registration statement all information which holders of Registrable Securities being registered shall reasonably request.

(d) EXPENSES. The Company will pay all Registration Expenses in connection with any registration requested pursuant to this Section 2.1.

(e) EFFECTIVE REGISTRATION STATEMENT. A registration requested pursuant to this Section 2.1 shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective, (ii) if after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason, or (iii) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied.

(f) SELECTION OF UNDERWRITERS. If a requested registration pursuant to this Section 2.1 involves an underwritten offering, the underwriter or underwriters thereof shall be selected by the Company with the approval of the holders of a majority of the Registrable Securities to be so

registered; provided, however, that if the Company has not selected an underwriter reasonably acceptable to such holders within thirty (30) days after the Company's receipt of the request for registration from such holders, then such holders may select an underwriter reasonably acceptable to the Company in connection with such registration.

(g) PRIORITY IN REQUESTED REGISTRATIONS. If a requested registration pursuant to this Section 2.1 involves an underwritten offering, and the managing underwriter shall advise the Company in writing (with a copy to each holder of Registrable Securities requesting registration) that, in its opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in such offering within a price range acceptable to the holders of a majority of the Registrable Securities requested to be included in such registration, the Company will include in such registration, to the extent of the number which the Company is so advised can be sold in such offering, Registrable Securities requested to be included in such registration, allocated pro rata among the holders thereof requesting such registration on the basis of the respective percentages of the Registrable Securities of the Company held by the holders of Registrable Securities which have requested that such

Registrable Securities be included. In connection with any registration as to which the provisions of this clause (g) apply, no securities other than Registrable Securities shall be covered by such registrations.

(h) LIMITATIONS. Anything in Section 2.1(a) to the contrary notwithstanding, the Company will not be required to effect a registration pursuant to this Section 2.1, (i) unless the request for such registration covers at least 19.9% of the Registrable Securities; (ii) after the Company has effected two (2) long form (Form S-1) registrations pursuant to this Section 2.1 (although nothing shall herein limit the Company's obligations to effect a registration pursuant to a short form (Form S-3) registration), or (iii) during the ninety (90) day period following the effective date of a long form (Form S-1) registration that would have permitted the inclusion of Registrable Securities, provided that the Company has included all Registrable Securities that the holders have requested to be included to the extent otherwise required by this Agreement; and (iv) if the Company shall furnish to the holders of all Registrable Securities to be covered by such registration a certificate signed by the chief executive officer of the Company stating that, in the good faith judgment of the Company's board of directors, it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed, the Company shall have the right to defer such filing for a period of not more than sixty (60) days after receipt of the registration request of such holders; provided, however, that the Company may not utilize this right more than once in any 180-day period. The Company shall require each other person to which it grants registration rights hereafter to abide by the restrictions set forth in clause (iii) of this Section 2.1(h). In the event the Company is not obligated to effect any requested registration by virtue of the foregoing clauses (i) through (iv), such request shall not be deemed to be a demand for registration for purposes of Section 2.1(a).

2.2 INCIDENTAL REGISTRATION.

(a) RIGHT TO INCLUDE REGISTRABLE SECURITIES. If the Company at any time proposes to register any of its securities under the Securities Act (other than by a registration on Form S-4 or S-8 or any successor or similar form and other than pursuant to Section 2.1 or a registration relating solely to a Rule 145 transaction or any registration form that does not permit secondary sales), whether or not for sale for its own account, it will each such time give prompt written notice to all holders of Registrable Securities of its intention to do so and of such holders' rights under this Section 2.2 to have its Registrable Securities included in such registration. Upon the written request of any such holder made within thirty (30) days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such holder and the intended method of disposition thereof), the Company will use its best efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the holders thereof, to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities so to be registered,

provided that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any

Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of any holder or holders of Registrable Securities entitled to do so to request that such registration be effected as a registration under Section 2.1, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. No registration effected under this Section 2.2 shall be deemed to have been effected pursuant to Section 2.1 or shall relieve the Company of its obligation to effect any registration upon request under Section 2.1. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 2.2.

(b) PRIORITY IN INCIDENTAL REGISTRATIONS. If (i) a registration pursuant to this Section 2.2 involves an underwritten offering of the securities being so registered, whether or not for sale for the account of the Company, to be distributed by or through one or more underwriters of recognized standing under underwriting terms appropriate for such a transaction, (ii) the Registrable Securities so requested to be registered for sale for the account of holders of Registrable Securities are not also to be included in such underwritten offering (because the Company has not been requested so to include such Registrable Securities pursuant to Section 2.4 (b), or if so requested, is not obligated to do so under Section 2.4 (b)), and (iii) the managing underwriter of such underwritten offering shall inform the Company and the holders of the Registrable Securities requesting such registration by letter of its belief that the number of securities requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering, then the Company may include all securities proposed by the Company to be sold for its own account and may decrease the number of Registrable Securities and other securities of the Company so requested to be included in such registration (pro rata among the holders thereof on the basis of the respective numbers of such securities requested to be included by such holders) to the extent necessary to reduce the number of securities to be included in the registration to the level recommended by the managing underwriter; provided, however, that in no event shall more than 30% of the aggregate number of Registrable Securities requested to be included by the Holders be excluded.

2.3 REGISTRATION PROCEDURES. If and whenever the Company is required to use its best efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2.1 and 2.2, the Company will as expeditiously as possible:

(i) prepare and (as soon thereafter as possible or in any event no later than sixty (60) days after the end of the period within which requests for registration may be given to the Company) file with the Commission the requisite registration statement to effect such registration and thereafter use its best efforts to cause such registration statement to become effective, provided that the Company may discontinue any registration of its securities which are not Registrable Securities (and, under the circumstances specified in Section 2.2(a), its securities which are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto, and provided, further, that the Company will furnish to each seller a copy of the proposed registration statement at least three (3) business days prior to the filing thereof;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus

used in connection therewith as may be necessary to keep such registration statement continuously effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until the earlier of (i) 180 days following the effective date of such registration and (ii) such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement; provided, however, the Company shall not be obligated to prepare and furnish any such prospectus supplements or amendments relating to any material nonpublic information at any such time as the Board of Directors of the Company has determined that, for good business reasons, the disclosure of such material nonpublic information at that time would be materially detrimental to the Company in the circumstances and is not otherwise required under applicable law (including applicable securities laws) provided the Company may only delay its obligations pursuant to the aforementioned proviso for a period of 60 days in any 180-day period, and provided, further, that the 180-day period referenced in (i) shall be tolled for the number of days during which the Company delays the filing of any supplement or amendment;

(iii) furnish to each seller of Registrable Securities covered by such registration statement such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such seller may reasonably request;

(iv) use its best efforts to register or qualify all Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each seller thereof shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such seller, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (iv) be obligated to be so qualified or to consent to general service of process in such jurisdiction;

(v) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(vi) furnish to each seller of Registrable Securities:

(1) if such registration includes in underwritten public offering, an opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), addressed to and reasonably

satisfactory in form and substance to each such seller, and covering substantially the same matters with respect to such registration statement (and the prospectus included therein) as are customarily covered in opinions of issuer's counsel delivered to the underwriters in underwritten public offerings of securities and such other legal matters as any such seller may reasonably request, and

(2) if such registration includes an underwritten public offering, a copy of any "comfort" letter delivered to any underwriter by the independent public accountants who have certified the Company's financial statements included in such registration statement;

(vii) notify each seller of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, subject to subsection (ii) above, at the request of any such seller promptly prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(viii) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act, and furnish to each such seller at least five (5) business days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus and not file any thereof to which any such seller shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder;

(ix) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement;

(x) use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange on which any securities of the same class or series as such Registrable Securities are then listed;

(xi) enter into such agreements and take such other actions as the Requisite Holders shall reasonably request in order to expedite or facilitate the disposition of such Registrable Securities; and

(xii) for so long as such registration has not been withdrawn or abandoned, not file or cause to be effected any other registration of any of the Company's equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-4, Form S-8 or any successor forms), whether on its own behalf or at the request of any holder or holders of such securities, until a period of one hundred eighty (180) days has elapsed from the effective date of such a registration at the benefit of holders of Registrable Securities.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing.

Each holder of Registrable Securities agrees by acquisition of such Registrable Securities that upon receipt of any notice from the Company of the happening of any event of the kind described in clause (vii) of this Section 2.3, such holder will forthwith discontinue such holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by clause (vii) of this Section 2.3 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice.

2.4 UNDERWRITTEN OFFERINGS.

(a) REQUESTED UNDERWRITTEN OFFERINGS. If requested by the underwriters for any underwritten offering by holders of Registrable Securities pursuant to a registration requested under Section 2.1, the Company will enter into an underwriting agreement with such underwriters for such offering, such agreement to be satisfactory in substance and form to each such holder and the underwriters and to contain such representations and warranties by the Company and such other terms as are generally prevailing in underwriting agreements of the same type, including, without limitation, indemnities to the effect and to the extent provided in Section 2.6. The holders of Registrable Securities to be distributed by such underwriters shall be parties to such underwriting agreement and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall also be conditions precedent to the obligations of such holders of Registrable Securities. Any such holder of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such holder's Registrable Securities and such holder's intended method of distribution and any other representation required by law.

(b) INCIDENTAL UNDERWRITTEN OFFERINGS. If the Company at any time proposes to register any of its securities under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more underwriters, the Company will, if

requested by any holder of Registrable Securities as provided in Section 2.2 and subject to the provisions of Section 2.2(b), arrange for such underwriters to include all the Registrable Securities to be offered and sold by such holder among the securities to be distributed by such underwriters. The holders of Registrable Securities to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall also be conditions precedent to the obligations of such holders of Registrable Securities. Any such holder of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such holder's Registrable Securities and such holder's intended method of distribution and any other representation required by law.

2.5 PREPARATION; REASONABLE INVESTIGATION. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company will give the holders of Registrable Securities registered under such registration statement, their underwriters, if any, and their respective counsel and accountants, the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders' and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act; provided, however, that any records, information or documents that are furnished by the Company and that are nonpublic shall be used only in connection with such registration and, unless otherwise disclosed by the Company as part of such registration, shall be kept strictly confidential by any seller of Registrable Securities except to the extent disclosure of such records, information or documents is required by written order of a court or other governmental authority having jurisdiction or as permitted by the Purchase Agreement.

2.6 INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. In the event of any registration of any securities of the Company under the Securities Act, the Company will, and hereby does, indemnify and hold harmless the seller of any Registrable Securities covered by such registration statement, its directors and officers, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such seller or any such underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such seller or any such director or officer or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus

or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse such seller and each such director, officer, underwriter and controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller specifically stating that it is for use in the preparation thereof. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, officer, underwriter or controlling person and shall survive the transfer of such securities by such seller.

(b) INDEMNIFICATION BY THE SELLERS. The Company may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Section 2.3, that the Company shall have received an undertaking satisfactory to it from the prospective seller of such Registrable Securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 2.6(a)) the Company, its directors and officers and each other Person, if any, who controls the Company within the meaning of the Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement; provided, however, that the maximum amount of liability in respect of indemnification pursuant to this Section 2.6(b) shall be limited in the case of any selling securityholder to an amount equal to the net proceeds actually received by such securityholder from the sale of such security pursuant to such registration. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling Person and shall survive the transfer of such securities by such seller.

(c) NOTICES OF CLAIMS, ETC. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Section 2.6(a) or 2.6(b), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action, provided that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under Section 2.6(a) or 2.6(b), as the case may be, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and

indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled

to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) OTHER INDEMNIFICATION. Indemnification similar to that specified in this Section 2.6 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority other than the Securities Act.

(e) INDEMNIFICATION PAYMENTS. The indemnification required by this Section 2.6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

2.7 ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES. The Company will not effect or permit to occur any combination or subdivision of shares which would adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in any registration of its securities or the marketability of such Registrable Securities under any such registration.

2.8 GRANT OF ADDITIONAL REGISTRATION RIGHTS. From and after the date of this Agreement, without the consent of the holders of a majority of the Registrable Securities then issued or issuable, the Company shall not enter into any agreements with any holder or prospective holder of any securities of the Company that, upon any registration of any of its securities, the Company will include among the securities that it then registers securities owned by such holder or prospective holder except to the extent any registration rights so given are consistent with the registration and other rights provided in this Agreement.

3. DEFINITIONS. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"COMMON STOCK" shall mean any Warrant Shares or Series A Common Stock.

"COMMISSION" shall mean the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

"COMPANY" shall have the meaning specified in the introductory paragraph of this Agreement.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934 shall include a reference to the comparable section, if any, of any such similar Federal statute.

"HOLDERS" shall have the meaning specified in the introductory paragraph of this Agreement.

"PERSON" shall mean a corporation, an association, a partnership, a business, a limited liability company, an individual, a governmental or

political subdivision thereof or a governmental agency.

"REGISTRABLE SECURITIES" shall mean (a) any Warrant Shares or "Other Securities" (as such term is defined in the Warrant) received upon the exercise of the Warrants, (b) any Series A Common Stock received upon the conversion of any Warrant Shares, (c) any securities purchased upon exercise, or issued upon conversion or exchange, of other Registrable Securities, and (d) any securities issued or issuable with respect to any other Registrable Securities by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise. As to any particular Registrable Securities, once issued such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (b) such securities shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act, (c) such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any similar state law then in force, or (d) such securities shall have ceased to be outstanding.

"REGISTRATION EXPENSES" shall mean all expenses incident to the Company's performance of or compliance with Section 2, including, without limitation, all registration, filing and National Association of Securities Dealers fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, the fees and disbursements incurred by the holders of Registrable Securities to be registered (including the fees and disbursements of any counsel and accountants retained by the holders of the Registrable Securities to be registered), premiums and other costs of policies of insurance against liabilities arising out of the public offering of the Registrable Securities being registered and any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but excluding underwriting discounts and commissions and transfer taxes, if any, provided that, in any case where Registration Expenses are to be borne by the selling Holders, such expenses shall not include salaries of Company personnel or general overhead expenses of the Company, auditing fees, premiums or other expenses relating to liability insurance required by underwriters of the Company or other expenses for the preparation of financial statements or other data normally

prepared by the Company in the ordinary course of its business or which the Company would have incurred in any event.

"SECURITIES ACT" shall mean the Securities Act of 1933, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as of the same shall be in effect at the time. References to a particular section of the Securities Act of 1933 shall include a reference to the comparable section, if any, of any such similar Federal statute.

"SERIES A COMMON STOCK" shall mean the series A common stock, $1.00 par value per share, of the Company.

"SERIES B COMMON STOCK" shall mean the nonvoting series B common stock, $1.00 par value per share, of the Company.

"SERIES C COMMON STOCK" shall mean the nonvoting series C common stock, $1.00 par value per share, of the Company.

"WARRANT SHARES" shall have the meaning specified in Section 1.

"WARRANTS" shall have the meaning specified in Section 1.

4. RULE 144. If the Company shall have filed a registration statement pursuant to the requirements of Section 12 of the Exchange Act or a registration statement pursuant to the requirements of the Securities Act, the

Company will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, will, upon the request of any holder of Registrable Securities, make publicly available other information) and will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

5. AMENDMENTS AND WAIVERS. This Agreement may be amended and the Company may take any action herein prohibited or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the holder or holders of 66 2/3% or more of the Registrable Securities then issued or issuable. Each holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any consent authorized by this Section 5, whether or not such Registrable Securities shall have been marked to indicate such consent.

6. NOMINEES FOR BENEFICIAL OWNERS. In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election, be treated as the holder of such Registrable Securities for purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this

Agreement or any determination of any number or percentage of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

7. COVENANT OF HOLDERS. Each Holder covenants and agrees that during the two (2) year period immediately following the date hereof, it will not purchase or otherwise acquire (whether by means of purchase, debt conversion or otherwise) any shares of Common Stock (or equivalent equity interests) or any securities convertible, exercisable or exchangeable into Common Stock (or equivalent equity interests) other than the Registrable Securities at a price per share below the then current Market Price (as such term is defined in the Warrants) of the Common Stock then outstanding.

8. NOTICES. All communications provided for hereunder shall be sent by first-class mail and (a) if addressed to a party other than the Company, addressed to such party in the manner set forth on the signature pages hereof, or at such other address as such party shall have furnished to the Company in writing, or (b) if addressed to the Company, at 1600 Riveredge Parkway, Suite 200, Atlanta, Georgia 30323 or at such other address, or to the attention of such other officer, as the Company shall have furnished to each holder of Registrable Securities at the time outstanding; provided, however, that any such communication to the Company may also, at the option of any of the parties hereunder, be either delivered to the Company at its address set forth above or to any officer of the Company.

9. ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the parties hereto other than the Company shall also be for the benefit of and enforceable by any subsequent holder of any Registrable Securities.

10. DESCRIPTIVE HEADINGS. The descriptive headings of the several sections and paragraphs of this Agreement are inserted for reference only and shall not limit or otherwise affect the meaning hereof.

11. SPECIFIC PERFORMANCE. The parties hereto recognize and agree that money damages may be insufficient to compensate the holders of any

Registrable Securities for breaches by the Company of the terms hereof and, consequently, that the equitable remedy of specific performance of the terms hereof will be available in the event of any such breach.

12. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of New York.

13. COUNTERPARTS. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

CROWN CRAFTS, INC.

By:

Title:

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By:

Title: Vice President

c/o Prudential Capital Group
Four Gateway Center
100 Mulberry Street
Newark, New Jersey 07102
Attention: Managing Director

WACHOVIA BANK, N.A.

By:

Title:

191 Peachtree Street, NE
30th Floor
Atlanta, Georgia 30303
Attention: Leveraged Finance

BANK OF AMERICA, N.A.

By:

Title:

Independence Center
100 North Tryon Street
15th Floor, NCI 001-15-06
Charlotte, North Carolina 28255

EXHIBIT D

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (this "Agreement") dated as of July 23, 2001, by and among CROWN CRAFTS, INC., a Georgia corporation (the "Company"), and any Domestic Subsidiary of the Company which becomes a Pledgor Subsidiary pursuant to Section 24 hereof and Section 7.07 of the Purchase Agreement referred to below (each a "Pledgor Subsidiary"; the Company and the Pledgor Subsidiaries being collectively referred to as the "Pledgors" and individually as a "Pledgor") and WACHOVIA BANK, N.A., a national banking association (in its individual capacity, "Wachovia") organized under the laws of the United States of America, as collateral agent (in such capacity, together with its successors and assigns, the "Collateral Agent") for itself, and for Purchasers from time to time under the Purchase Agreement.

W I T N E S S E T H:

WHEREAS, the Company and the Purchasers have entered into that certain Subordinated Note and Warrant Purchase Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Purchase Agreement"; capitalized terms used herein without definition have the meanings set forth in the Purchase Agreement), pursuant to which the Purchasers have agreed, subject to the terms thereof, to make available to the Company certain financial accommodations;

WHEREAS, the Company, the Purchasers, the Senior Lenders, and Wachovia, as Agent, are parties to that certain Intercreditor Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Intercreditor Agreement"), pursuant to which the Purchasers have appointed the Collateral Agent.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. The Pledge. Each of the Pledgors hereby pledges, hypothecates, assigns, transfers, sets over and delivers unto the Collateral Agent, and grants to the Collateral Agent, for the ratable benefit of the Purchasers, a security interest in all of each Pledgor's right, title and interest in, to and under the following (collectively, the "Pledged Collateral"): (a) all of the shares of common stock, equity interests and other securities (collectively, "Securities") of the respective Domestic Subsidiaries held by such Pledgor as set forth on Exhibit A attached hereto, as amended or supplemented from time to time (collectively, the "Issuers"); (b) any additional Securities of any of the Issuers as may from time to time be issued to the respective Pledgor or otherwise acquired by such Pledgor; (c) any additional Securities of the Issuer as may hereafter at any time be delivered to the Collateral Agent by or on behalf of the Pledgor; (d) any cash or additional Securities or other property at any time and from time to time receivable or otherwise distributable in respect of, in exchange for, or in substitution of, any of the property referred to in

any of the immediately preceding clauses (a) through (c); and (e) any and all products and proceeds of any of the foregoing, together with all other rights, titles, interests, powers, privileges and preferences pertaining to said property.

Section 2. Obligations Secured. This Agreement is made, and the security interest created hereby is granted to the Collateral Agent, to secure the prompt performance and payment in full of the Obligations.

Section 3. Representations and Warranties. Each of the Pledgors, jointly and severally, hereby represents and warrants to the Collateral Agent as follows:

(a) Validly Issued, etc. All of the Securities of each Issuer have been validly issued and are fully paid and nonassessable.

(b) Title and Liens. Each Pledgor is, and, except as permitted by the Purchase Agreement, will at all times continue to be, the legal and beneficial owner of the applicable Pledged Collateral and none of the Pledged

Collateral is subject to any Lien (other than the senior Lien for the benefit of the holders of the Senior Debt and the Lien created by this Agreement, as contemplated in the Intercreditor Agreement).

(c) Name; Chief Executive Office; Taxpayer ID Number. The correct corporate name of each Pledgor, the state of its organization, the chief executive office and principal place of business of each Pledgor, the location of each Pledgor's books and records relating to the respective Pledged Collateral, and the Federal Identification number of each Pledgor is set forth on Exhibit B attached hereto. None of the Pledgors has any offices or places of business other than as set forth on Exhibit B.

(d) Authority, etc. Each of the Pledgors (i) has the power and authority to pledge the Pledged Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement and a junior Lien for the benefit of the holders of the Senior Subordinated Notes, as contemplated in the Purchase Agreement), however arising, of all persons.

(e) No Approval. No consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledges effected hereby.

(f) Outstanding Shares. The Securities pledged by each of the Pledgors hereunder constitute all of the issued and outstanding Shares of the respective Domestic Subsidiary owned by each of the Pledgors.

Section 4. Covenants. Each of the Pledgors hereby unconditionally covenants and agrees as follows:

(a) No Liens; No Sale of Pledged Collateral. None of the Pledgors will create, assume, incur or permit or suffer to exist or to be created, assumed or incurred, any Lien on any of the Securities (other than the senior Lien for the benefit of the Senior Lenders and the Lien created by this Agreement, as contemplated in the Intercreditor Agreement), and will not, except as permitted by the Purchase Agreement, without the prior written consent of the Collateral

Agent (which consent shall not be unreasonably withheld), sell, lease, assign, transfer or otherwise dispose of all or any portion of the Securities (or any interest therein).

(b) Change of Locations, Name, Etc. Without giving the Collateral Agent 30 days' prior written notice, none of the Pledgors will (i) change such Pledgor's state of organization, registered legal name, chief executive office, principal place of business, or the location of its books and records relating to any of the Pledged Collateral or (ii) change such Pledgor's name, identity or structure.

Section 5. Additional Shares.

(a) During the period this Agreement is in effect, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to issue any additional shares of capital stock or other equity securities or interests, unless such additional shares have been delivered and pledged to the Collateral Agent. Further, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to amend or modify its respective articles or certificate of incorporation in a manner which would materially adversely affect the voting, liquidation, preference or other rights of a holder of the Pledged Collateral.

(b) Each of the Pledgors agrees that, until this Agreement has terminated in accordance with its terms, any additional Securities of any of the Issuers at any time issued to any of the Pledgors or otherwise acquired by any of the Pledgors shall be promptly delivered or otherwise transferred to the Collateral Agent as additional Pledged Collateral and shall be subject to the Lien of, and the terms and conditions of, this Agreement.

Section 6. Registration in Nominee Name, Denominations. The Collateral Agent shall have the right (in its sole and absolute discretion) to hold the Pledged Collateral in its own name as pledgee, the name of its nominee

(as Collateral Agent or as sub-agent) or the name of the applicable Pledgor, endorsed or assigned in blank pursuant to a separate blank stock power or in favor of the Collateral Agent or (where applicable) registered in the name of the Collateral Agent in the relevant stock registry. Each of the Pledgors will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Collateral registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Collateral for certificates of smaller or larger numbers of shares for any purpose consistent with this Agreement.

Section 7. Voting Rights; Dividends, etc.

(a) So long as no Event of Default shall have occurred and be continuing, with respect to any Securities:

(i) each of the Pledgors shall be entitled to exercise any and all voting and/or consensual rights and powers accruing to an owner of the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms and conditions of this Agreement or any agreement giving rise to or otherwise relating to any of the Obligations; provided, however, that none of the Pledgors shall exercise, or refrain from exercising, any such right or power if any such action would have a materially adverse effect on the value of such Pledged Collateral in the reasonable judgment of the Collateral Agent;

(ii) each of the Pledgors shall be entitled to retain and use any and all cash dividends, interest and principal paid on the Pledged Collateral, but any and all stock and/or liquidating dividends, other distributions in property, return of capital or other distributions made on or in respect of Pledged Collateral, whether resulting from a subdivision, combination or reclassification of outstanding Securities of any of the Issuers which are pledged hereunder or received in exchange for the respective Pledged Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets or on the liquidation, whether voluntary or involuntary, of any of the Issuers, or otherwise, shall be and become part of the Pledged Collateral pledged hereunder and, if received by any of the Pledgors, shall forthwith be delivered to the Collateral Agent to be held as collateral subject to the terms and conditions of this Agreement.

(b) The Collateral Agent agrees to execute and deliver to each of the Pledgors, or cause to be executed and delivered to each of the Pledgors, as appropriate, at the sole cost and expense of such Pledgor, all such proxies, powers of attorney, dividend orders and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to clause (a)(i) above and/or to receive the dividends which such Pledgor is authorized to retain pursuant to subsection (a)(ii) above.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of each the Pledgors to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to subsection (a)(i) above and/or to receive the dividends, interest and principal that such Pledgor is authorized to receive and retain pursuant to subsection (a)(ii) above shall cease, and all such rights thereupon shall become immediately vested in the Collateral Agent, which shall have, to the extent permitted by law, the sole and exclusive right and authority (acting at the direction of the Required Purchasers) to exercise such voting and/or consensual rights and powers which each of the Pledgors shall otherwise be entitled to exercise pursuant to subsection (a)(i) above and/or to receive and retain the dividends which each of the Pledgors shall otherwise be authorized to retain pursuant to subsection (a)(ii) above. Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this subsection (c) shall be retained by the Collateral Agent as additional collateral hereunder and shall be applied in accordance with the provisions of Section 10. If any of the Pledgors shall receive any dividends or other property which it is not entitled to receive under this Section, such Pledgor shall hold the same in trust for the Collateral Agent, without commingling the same with other funds or property of or held by such Pledgor, and shall promptly deliver the same to the Collateral Agent upon receipt by such Pledgor in the identical form received, together with any necessary endorsements.

Section 8. Event of Default Defined. For purposes of this Agreement, "Event of Default" shall mean:

(a) any of the Pledgors shall fail to observe or perform any covenant or agreement contained in Sections 4(a), 5, or 7(a)(ii) hereof;

(b) any of Pledgors shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by the immediately preceding subsection

(a)) for a period of 30 days after written notice thereof has been given to such Pledgor by the Collateral Agent; and

(c) an Event of Default under and as defined in the Purchase Agreement shall occur and be continuing.

Section 9. Remedies upon Default.

(a) Subject to the Intercreditor Agreement, in addition to any right or remedy that the Collateral Agent may have under the Purchase Agreement or otherwise under applicable law, if an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise any and all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction (the "Code") and may otherwise sell, assign, transfer, endorse and deliver the whole or, from time to time, any part of the Pledged Collateral at a public or private sale or on any securities exchange, for cash, upon credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as the Collateral Agent (acting at the direction of the Required Purchasers, in their sole discretion) shall deem appropriate. As further provided for in Section 14 hereof, the Collateral Agent shall be authorized at any sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Pledged Collateral for their own account in compliance with the Securities Laws (as such term is defined in Section 14 below) and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer, endorse and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each purchaser at any sale of Pledged Collateral shall take and hold the property sold absolutely free from any claim or right on the part of any of the Pledgors, and each of the Pledgors hereby waives (to the fullest extent permitted by applicable law) all rights of redemption, stay and/or appraisal which any of the Pledgors now has or may at any time in the future have under any applicable law now existing or hereafter enacted. Each of the Pledgors agrees that, to the extent notice of sale shall be required by applicable law, at least ten days' prior written notice to the applicable Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification, but notice given in any other reasonable manner or at any other reasonable time shall constitute reasonable notification. Such notice, in case of public sale, shall state the time and place for such sale, and, in the case of sale on a securities exchange, shall state the exchange on which such sale is to be made and the day on which the respective Pledged Collateral, or portion thereof, will first be offered for sale at such exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and shall state in the notice or publication (if any) of such sale. At any such sale, the applicable Pledged Collateral, or portion thereof to be sold, may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may determine (acting at the direction of the Required Purchasers, in their sole and absolute discretion). The Collateral Agent shall not be obligated to make any sale of any of the Pledged Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Pledged Collateral may have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case the sale of all or any part of the Pledged Collateral is made on credit or for future

delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the

Collateral Agent shall not incur any liability to any of the Pledgors in case any such purchaser or purchasers shall fail to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may be sold again upon like notice. At any public sale made pursuant to this Agreement, the Collateral Agent or any secured party, to the extent permitted by applicable law, may bid for or purchase, free from any right of redemption, stay and/or appraisal on the part of any of the Pledgors (all said rights being also hereby waived and released to the extent permitted by applicable law), any part of or all the Pledged Collateral offered for sale and may make payment on account thereof by using any claim then due and payable to the Collateral Agent from any of the Pledgors as a credit against the purchase price, and the Collateral Agent may, upon compliance with the terms of sale and to the extent permitted by applicable law, hold, retain and dispose of such property without further accountability to any of the Pledgors therefor. For purposes hereof, a written agreement to purchase all or any part of the Pledged Collateral shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and none of the Pledgors shall be entitled to the return of any Pledged Collateral subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default may have been remedied or the Obligations may have been paid in full as herein provided. Each of the Pledgors hereby waives any right to require any marshaling of assets and any similar right.

(b) In addition to exercising the power of sale herein conferred upon it, the Collateral Agent (acting at the direction of the Required Purchasers) shall also have the option to proceed by suit or suits at law or in equity to foreclose this Agreement and sell the Pledged Collateral or any portion thereof pursuant to judgment or decree of a court or courts having competent jurisdiction.

(c) In addition to the foregoing, the Collateral Agent (acting at the direction of the Required Purchasers) shall have all other rights, powers and remedies which are available to it under any applicable laws.

(d) The rights and remedies of the Collateral Agent under this Agreement are cumulative and not exclusive of any rights or remedies which it would otherwise have.

Section 10. Application of Proceeds of Sale and Cash. Each of the Pledgors agrees to pay to the Collateral Agent all Enforcement Costs (as defined below) paid or incurred by the Collateral Agent. This agreement in this Section 10 shall survive the termination of this Agreement and the Lien on the Pledged Collateral. All Enforcement Costs, together with interest thereon from the date of any demand therefor until paid in full at a per annum rate of interest equal at all times to the Default Rate, shall be paid by the Company to the Collateral Agent whenever demanded by the Collateral Agent.

Any proceeds of the collection of the sale or other disposition of the Pledged Collateral will be applied by the Collateral Agent in accordance with the terms of the Purchase Agreement, subject to the Intercreditor Agreement. If the sale or other disposition of the Pledged Collateral fails to satisfy all of the Obligations, the Debtors shall remain liable to the Collateral Agent and the Purchasers for any deficiency. Any surplus from the sale or disposition of the Pledged

Collateral shall be paid to the respective Pledgor or to any other party entitled thereto or shall otherwise be paid over in a manner permitted by law after payment in full of all Obligations and the Enforcement Costs related to any such payment.

As used herein, the term "Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, reasonable attorneys' fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Collateral Agent in connection with (a) the collection or enforcement of any or all of the Obligations or this Agreement (including, without limitation, reasonable attorneys' fees incurred prior to the institution of any suit or other proceeding), (b) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Pledged Collateral, (c) the monitoring, inspection, administration, processing, servicing of any or all of the Obligations and/or the Pledged Collateral, (d) the preparation of this Agreement, the Security Documents, and the preparation and review of lien

and record searches, reports, certificates, and/or other documents or information relating from time to time to the taking, perfection, inspection, preservation, protection and/or release of a Lien on the Pledged Collateral, the value of the Pledged Collateral, or otherwise relating to the Collateral Agent's or any Lender's rights, powers and remedies under this Agreement or with respect to the Pledged Collateral, and (e) all filing and/or recording taxes or fees and all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, the Pledgors hereby agreeing jointly and severally to indemnify and save the Collateral Agent and the Purchasers harmless from and against such liabilities

Section 11. Collateral Agent Appointed Attorney-in-Fact. From and after the occurrence and during the existence of an Event of Default, each of the Pledgors hereby constitutes and appoints the Collateral Agent as the attorney-in-fact of each Pledgor with full power of substitution either in the Collateral Agent's name or in the name of each of the Pledgors to do any of the following with respect to any Securities and the related Pledged Collateral: (a) to perform any obligation of any of the Pledgors hereunder in such Pledgor's name or otherwise; (b) to ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all moneys due or to become due under and by virtue of any Pledged Collateral; (c) to prepare, execute, file, record or deliver notices, assignments, financing statements, continuation statements, applications for registration or like papers to perfect, preserve or release the Collateral Agent's security interest in the Pledged Collateral or any of the documents, instruments, certificates and agreements described in Section 13(b); (d) to verify facts concerning the Pledged Collateral in its own name or a fictitious name; (e) to endorse checks, drafts, orders and other instruments for the payment of money payable to any of the Pledgors, representing any interest or dividend or other distribution payable in respect of the Pledged Collateral or any part thereof or on account thereof and to give full discharge for the same; (f) to exercise all rights, powers and remedies which any of the Pledgors would have, but for this Agreement, under the Pledged Collateral; and (g) to carry out the provisions of this Agreement and to take any action and execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, and to do all acts and things and execute all documents in the name of each of the Pledgors or otherwise, deemed by the Collateral Agent as necessary, proper and convenient in connection with the preservation,

perfection or enforcement of its rights hereunder. Nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or notice, or to take any action with respect to the Pledged Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the Collateral Agent or omitted to be taken with respect to the Pledged Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of the Pledgor or to any claim or action against the Collateral Agent. The power of attorney granted herein is irrevocable and coupled with an interest.

Section 12. Reimbursement of Collateral Agent. Each of the Pledgors agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees, disbursements and other charges of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or any sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure by any of the Pledgors to perform or observe any of the provisions hereof. Any such amounts payable as provided hereunder shall be additional obligations secured hereby and by the other Security Documents.

Section 13. Further Assurances. Each of the Pledgors shall, at its sole cost and expense, take all action that may be necessary or desirable in the Collateral Agent's sole discretion or at the request of the Required Holders, so as at all times to maintain the validity, perfection, enforceability and priority of the Collateral Agent's security interest in the Pledged Collateral, or to enable the Collateral Agent to exercise or enforce its rights hereunder, including without limitation (a) delivering to the Collateral Agent,

endorsed or accompanied by such instruments of assignment as the Collateral Agent may specify, any and all chattel paper, instruments, letters of credit and all other undertakings of guaranty and documents evidencing or forming a part of the Pledged Collateral and (b) executing and delivering financing statements, pledges, designations, notices and assignments, in each case in form and substance satisfactory to the Collateral Agent, relating to the creation, validity, perfection, priority or continuation of the security interest granted hereunder. Subject to the foregoing, each of the Pledgors agrees to take, and authorizes the Collateral Agent to take on such Pledgor's behalf, any or all of the following actions with respect to any Pledged Collateral as the Collateral Agent shall deem necessary to perfect the security interest and pledge created hereby or to enable the Collateral Agent to enforce its rights and remedies hereunder: (i) to register in the name of the Collateral Agent any Pledged Collateral in certificated or uncertificated form; (ii) to endorse in the name of the Collateral Agent any Pledged Collateral issued in certificated form; and (iii) by book entry or otherwise, identify as belonging to the Collateral Agent a quantity of securities that constitutes all or part of the Pledged Collateral registered in the name of the Collateral Agent. Notwithstanding the foregoing each of the Pledgors agrees that Pledged Collateral which is not in certificated form or is otherwise in book-entry form shall be held for the account of the Collateral Agent. Each of the Pledgors hereby authorizes the Collateral Agent to execute and file in all necessary and appropriate jurisdictions (as determined by the Collateral Agent) one or more financing or continuation statements (or any other document or instrument referred to in the immediately preceding clause (b)) in the name of the applicable Pledgor and to sign such Pledgor's name thereto. Each of the Pledgors authorizes the Collateral Agent to file any such

financing statement, document or instrument without the signature of such Pledgor to the extent permitted by applicable law. To the extent permitted by applicable law, a carbon, photographic, xerographic or other reproduction of this Agreement or any financing statement is sufficient as a financing statement. Any property comprising part of the Pledged Collateral required to be delivered to the Collateral Agent pursuant to this Agreement shall be accompanied by proper instruments of assignment duly executed by each of the Pledgors and by such other instruments or documents as the Collateral Agent may reasonably request.

Section 14. Securities Laws. In view of the position of the Pledgors in relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar applicable law hereafter enacted analogous in purpose or effect, whether foreign or domestic (such Act and any such similar applicable law as from time to time in effect being called the "Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder. Each of the Pledgors understands that compliance with the Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral in accordance with the terms hereof, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral in accordance with the terms hereof under applicable Blue Sky or other state securities laws or similar applicable law analogous in purpose or effect. The Pledgor recognizes that in light of the foregoing restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment, and not with a view to the distribution or resale thereof. Each of the Pledgors acknowledges and agrees that in light of the foregoing restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, may, in accordance with applicable law, (a) proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws and (b) approach and negotiate with a single potential purchaser to effect such sale. Each of the Pledgors acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Collateral in accordance with the terms hereof at a price that the Collateral Agent (acting at the direction of the Required Purchasers, in their sole and absolute discretion), may in good faith deem reasonable under the circumstances, notwithstanding the

possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

Section 15. Indemnification. Each of the Pledgors agrees jointly and severally to indemnify and hold the Collateral Agent and any corporation controlling, controlled by, or under common control with, the Collateral Agent and any officer, attorney, director, shareholder, agent or employee of the Collateral Agent or any such corporation (each an "Indemnified Person"), harmless from and against any claim, loss, damage, action, cause of action, liability, cost and

expense or suit of any kind or nature whatsoever (collectively, "Losses"), brought against or incurred by an Indemnified Person, in any manner arising out of or, directly or indirectly, related to or connected with this Agreement, including without limitation, the exercise by the Collateral Agent of any of its rights and remedies under this Agreement or any other action taken by the Collateral Agent pursuant to the terms of this Agreement; provided, however, the Pledgor shall not be liable to an Indemnified Person for any Losses to the extent that such Losses result from the gross negligence or willful misconduct of such Indemnified Person. Each Pledgor's obligations under this section shall survive the termination of this Agreement and the payment in full of the Obligations.

Section 16. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall remain in full force and effect until it terminates in accordance with its terms. Each of the Pledgors and the Collateral Agent hereby agree that the security interest created by this Agreement in the Pledged Collateral shall not terminate and shall continue and remain in full force and effect notwithstanding the transfer to any of the Pledgors or any person designated by it of all or any portion of the Pledged Collateral.

Section 17. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Purchase Agreement, any other Credit Document, the Intercreditor Agreement, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of the payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Purchase Agreement, any other Credit Document, the Intercreditor Agreement, or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations, including, without limitation, the release of any one or more Pledgors or other Persons from this Agreement or any other agreement securing the payment and performance of the Obligations or other indebtedness of the Pledgors or of any other Person to the Purchasers, the Agent, the Collateral Agent, or the holders of the Senior Subordinated Notes, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any of the Pledgors in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

Section 18. No Waiver. Neither the failure on the part of the Collateral Agent to exercise, nor the delay on its part in exercising any right, power or remedy hereunder, nor any course of dealing between the Collateral Agent and any of the Pledgors shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy hereunder preclude any other or the further exercise thereof or the exercise of any other right, power or remedy.

Section 19. Notices. Notices, requests and other communications required or permitted hereunder shall be given in accordance with the applicable terms of the Purchase Agreement.

Section 20. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 21. Amendments. No amendment or waiver of any provision of this Agreement nor consent to any departure by any of the Pledgors herefrom shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 22. Binding Agreement; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that none of the Pledgors shall be permitted to assign this Agreement or any interest herein or in the Pledged Collateral, or any part thereof, or any cash or property held by the Collateral Agent as collateral under this Agreement.

Section 23. Termination. Upon indefeasible payment in full of all of the Obligations, and termination of all Commitments under the Purchase Agreement, this Agreement shall terminate. Upon termination of this Agreement in accordance with its terms the Collateral Agent agrees to take such actions as the Company may reasonably request, and at the sole cost and expense of the Company, (a) to return the Pledged Collateral to the applicable Pledgor, and (b) to evidence the termination of this Agreement, including, without limitation, the filing of any releases or any termination statements under the Uniform Commercial Code.

Section 24. Joint and Several Liability; Additional Pledgors; Release of Pledgors. The obligations and liabilities of the Pledgors from time to time party to this Agreement shall be joint and several. Section 7.07 of the Purchase Agreement provides that Domestic Subsidiaries which own or acquire a Domestic Subsidiary and which are not Pledgors must become Pledgors hereunder by, among other things, executing and delivering to the Agent a joinder with respect to this Agreement. Any Domestic Subsidiary which executes and delivers to the Agent a joinder with respect to this Agreement shall be a Pledgor for all purposes hereunder and shall thereafter be jointly and severally liable with all other Pledgors then party to this Agreement or thereafter joined hereto.

Section 25. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

Section 26. Headings. Section headings used herein are for convenience only and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

Section 27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute but one agreement.

Section 28. Subordination to Senior Debt Documents. This Agreement and the liens and security interests created hereby are subject and subordinated to the Senior Debt Documents.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the Pledgors has executed and delivered this Agreement under seal as of the date first written above.

CROWN CRAFTS, INC. (SEAL)

By:

Name:
Title:

Agreed to, accepted and acknowledged as of the date first written above.

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

EXHIBIT A

PLEDGED COLLATERAL

PLEDGOR: CROWN CRAFTS, INC.

<TABLE>
<CAPTION>

Name of Subsidiary	Class of Stock	No. of Shares Authorized	No. of Shares Issued	No. of Shares Outstanding	No. of Shares Pledged	Certificate Nos. for Pledged Shares
<S>	<C>	<C>	<C>	<C>	<C>	
Churchill Weavers, Inc.	Common $100 par	2,000	306	306	306	16
Hamco, Inc.	Common/no par	1,000	1,000	1,000	1,000	4
The Red Calliope (predecessor of Crown Crafts Infant Products, Inc., no replacement certificates having been issued)	Common $0.001 par	10,000	100	100	100	27

</TABLE>

EXHIBIT B

Pledgors

Crown Crafts, Inc. a Georgia corporation
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Federal Tax I.D. # 58-0678148

EXHIBIT E

FOREIGN STOCK PLEDGE AGREEMENT

THIS FOREIGN STOCK PLEDGE AGREEMENT (this "Agreement") dated as of July __, 2001 by and among CROWN CRAFTS, INC., a Georgia corporation, (the "Company") and any Domestic Subsidiary of the Company which becomes a Pledgor Subsidiary pursuant to Section 24 hereof and Section 7.07 (each a "Pledgor Subsidiary") of the Purchase Agreement referred to below; the Company and the Pledgor Subsidiaries being collectively referred to as the "Pledgors" and individually as a "Pledgor") and WACHOVIA BANK, N.A., a national banking association (in its individual capacity, "Wachovia") organized under the laws of the United States of America, as collateral agent (in such capacity, together with its successors and assigns, "Collateral Agent") for itself, and for Purchasers from time to time under the Purchase Agreement.

W I T N E S S E T H:

WHEREAS, the Company and the Purchasers have entered into that certain Subordinated Note and Warrant Purchase Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in

accordance with its terms, the "Purchase Agreement"; capitalized terms used herein without definition have the meanings set forth in the Purchase Agreement), pursuant to which the Purchasers have agreed, subject to the terms thereof, to make available to the Company certain financial accommodations;

WHEREAS, the Company, the Purchasers, the Senior Lenders, and Wachovia, as Agent, are parties to that certain Intercreditor Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Intercreditor Agreement"), pursuant to which the Purchasers have appointed the Collateral Agent.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. The Pledge. Each of the Pledgors hereby pledges, hypothecates, assigns, transfers, sets over and delivers unto the Collateral Agent, and grants to the Collateral Agent, for the ratable benefit of the Purchasers, a security interest in all of each Pledgor's right, title and interest in, to and under the following (collectively, the "Pledged Collateral"): (a) all of the shares of common stock, equity interests and other securities (collectively, "Securities") of the respective Direct Foreign Subsidiaries held by such Pledgor as set forth on Exhibit A attached hereto (collectively, the "Issuers"); provided, however, that the Securities pledged pursuant hereto shall not include (i) Securities owned by any of the Pledgors in excess of Securities evidencing 65% of the voting power of each class of capital stock owned by such Pledgor or (ii) to the extent that applicable law requires that the applicable Issuer issue directors' qualifying shares, such qualifying shares; (b) subject to the provisions of Section 5(b) hereof, any additional Securities of any of the Issuers as may from time to time be issued to the respective Pledgor or otherwise acquired by such Pledgor; (c) any additional Securities of the Issuer as may

hereafter at any time be delivered to the Collateral Agent by or on behalf of the Pledgor; (d) any cash or additional Securities or other property at any time and from time to time receivable or otherwise distributable in respect of, in exchange for, or in substitution of, any of the property referred to in any of the immediately preceding clauses (a) through (c); and (e) any and all products and proceeds of any of the foregoing, together with all other rights, titles, interests, powers, privileges and preferences pertaining to said property.

Section 2. Obligations Secured. This Agreement is made, and the security interest created hereby is granted to the Collateral Agent, to secure the prompt performance and payment in full of the Obligations.

Section 3. Representations and Warranties. Each of the Pledgors, jointly and severally, hereby represents and warrants to the Collateral Agent as follows:

(a) Validly Issued, etc. All of the Securities of each Issuer have been validly issued and are fully paid and nonassessable.

(b) Title and Liens. Each Pledgor is, and, except as permitted by the Purchase Agreement, will at all times continue to be, the legal and beneficial owner of the applicable Pledged Collateral and none of the Pledged Collateral is subject to any Lien (other than the senior Lien for the benefit of the holders of the Senior Debt and the Lien created by this Agreement).

(c) Name; Chief Executive Office; Taxpayer ID Number. The correct corporate name of each Pledgor, the state of organization, chief executive office and principal place of business of each Pledgor, the location of each Pledgor's books and records relating to the respective Pledged Collateral, and the Federal Identification number of each Pledgor is set forth on Exhibit B attached hereto. None of the Pledgors has any offices or places of business other than as set forth on Exhibit B.

(d) Authority, etc. Each of the Pledgors (i) has the power and authority to pledge the Pledged Collateral in the manner hereby done or contemplated and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Agreement),

however arising, of all persons.

(e) No Approval. No consent or approval of any Governmental Authority or any securities exchange was or is necessary to the validity of the pledges effected hereby.

(f) Outstanding Shares. The Securities pledged by each of the Pledgors hereunder constitute 65% of the issued and outstanding Shares of the respective Direct Foreign Subsidiary owned by each of the Pledgors.

Section 4. Covenants. Each of the Pledgors hereby unconditionally covenants and agrees as follows:

(a) No Liens; No Sale of Pledged Collateral. None of the Pledgors will create, assume, incur or permit or suffer to exist or to be created, assumed or incurred, any Lien on any of the Securities (other than the senior Lien for the benefit of the Senior Lenders and the

Lien created by this Agreement), and will not, except as otherwise permitted by the Purchase Agreement, without the prior written consent of the Collateral Agent (which consent shall not be unreasonably withheld), sell, lease, assign, transfer or otherwise dispose of all or any portion of the Securities (or any interest therein).

(b) Change of Locations, Name, Etc. Without giving the Collateral Agent 30 days prior written notice, none of the Pledgors will (i) change such Pledgor's chief executive office, principal place of business, or the location of its books and records relating to any of the Pledged Collateral or (ii) change such Pledgor's name, identity or structure.

Section 5. Additional Shares.

(a) During the period this Agreement is in effect, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to issue any additional shares of capital stock or other equity securities or interests, unless such additional shares have been delivered and pledged to the Collateral Agent. Further, without the consent of the Collateral Agent, none of the Pledgors shall permit any of the Issuers to amend or modify its respective articles or certificate of incorporation (or other analogous organizational document) in a manner which would materially adversely affect the voting, liquidation, preference or other rights of a holder of the Pledged Collateral.

(b) Each of the Pledgors agrees that, until this Agreement has terminated in accordance with its terms, any additional Securities of any of the Issuers at any time issued to any of the Pledgors or otherwise acquired by any of the Pledgors shall be promptly delivered or otherwise transferred to the Collateral Agent as additional Pledged Collateral and shall be subject to the Lien of, and the terms and conditions of, this Agreement; provided that if compliance with this Section 5(b) would result in more than 65% of the voting power of any class of such capital stock of an Issuer being included in the Pledged Collateral, the Pledgor shall pledge only such portion of such capital stock as shall result in 65% of the voting power of such class of capital stock owned by the Pledgor being included in the Pledged Collateral.

Section 6. Registration in Nominee Name, Denominations. The Collateral Agent shall have the right (in its sole and absolute discretion) to hold the Pledged Collateral in its own name as pledgee, the name of its nominee (as Collateral Agent or as sub-agent) or the name of the applicable Pledgor, endorsed or assigned in blank pursuant to a separate blank stock power or in favor of the Collateral Agent or (where applicable) registered in the name of the Collateral Agent in the relevant stock registry. Each of the Pledgors will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Collateral registered in the name of such Pledgor. The Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Collateral for certificates of smaller or larger numbers of shares for any purpose consistent with this Agreement.

Section 7. Voting Rights; Dividends, etc.

(a) So long as no Event of Default shall have occurred and be continuing, with respect to any Securities:

(i) each of the Pledgors shall be entitled to exercise any and all voting and/or consensual rights and powers accruing to an owner of the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms and conditions of this Agreement or any agreement giving rise to or otherwise relating to any of the Obligations; provided, however, that none of the Pledgors shall exercise, or refrain from exercising, any such right or power if any such action would have a materially adverse effect on the value of such Pledged Collateral in the reasonable judgment of the Collateral Agent;

(ii) each of the Pledgors shall be entitled to retain and use any and all cash dividends, interest and principal paid on the Pledged Collateral, but any and all stock and/or liquidating dividends, other distributions in property, return of capital or other distributions made on or in respect of Pledged Collateral, whether resulting from a subdivision, combination or reclassification of outstanding Securities of any of the Issuers which are pledged hereunder or received in exchange for the respective Pledged Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets or on the liquidation, whether voluntary or involuntary, of any of the Issuers, or otherwise, shall be and become part of the Pledged Collateral pledged hereunder and, if received by any of the Pledgors, shall forthwith be delivered to the Collateral Agent to be held as collateral subject to the terms and conditions of this Agreement.

(b) The Collateral Agent agrees to execute and deliver to each of the Pledgors, or cause to be executed and delivered to each of the Pledgors, as appropriate, at the sole cost and expense of such Pledgor, all such proxies, powers of attorney, dividend orders and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to clause (a)(i) above and/or to receive the dividends which such Pledgor is authorized to retain pursuant to subsection (a)(ii) above.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of each the Pledgors to exercise the voting and/or consensual rights and powers which such Pledgor is entitled to exercise pursuant to subsection (a)(i) above and/or to receive the dividends, interest and principal that such Pledgor is authorized to receive and retain pursuant to subsection (a)(ii) above shall cease, and all such rights thereupon shall become immediately vested in the Collateral Agent, which shall have, to the extent permitted by law, the sole and exclusive right and authority (acting at the direction of the Required Purchasers) to exercise such voting and/or consensual rights and powers which each of the Pledgors shall otherwise be entitled to exercise pursuant to subsection (a)(ii) above and/or to receive and retain the dividends which each of the Pledgors shall otherwise be authorized to retain pursuant to subsection (b) above. Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this subsection (c) shall be retained by the Collateral Agent as additional collateral hereunder and shall be applied in accordance with the provisions of Section 10. If any of the Pledgors shall receive any dividends or other property which it is not entitled to receive under this Section, such Pledgor shall hold the same in trust for the Collateral Agent, without commingling the same with other funds or property of or held by such Pledgor,

and shall promptly deliver the same to the Collateral Agent upon receipt by such Pledgor in the identical form received, together with any necessary

endorsements.

Section 8. Event of Default Defined. For purposes of this Agreement, "Event of Default" shall mean:

(a) any of the Pledgors shall fail to observe or perform any covenant or agreement contained in Sections 4(a), 5, or 7(a)(ii) hereof;

(b) any of Pledgors shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by the immediately preceding subsection (a)) for a period of 30 days after written notice thereof has been given to such Pledgor by the Collateral Agent; and

(c) an Event of Default under and as defined in the Purchase Agreement shall occur and be continuing.

Section 9. Remedies upon Default.

(a) Subject to the Intercreditor Agreement, in addition to any right or remedy that the Collateral Agent may have under the Purchase Agreement, the other Transaction Documents or otherwise under applicable law, if an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise any and all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any applicable jurisdiction (the "Code") and may otherwise sell, assign, transfer, endorse and deliver the whole or, from time to time, any part of the Pledged Collateral at a public or private sale or on any securities exchange, for cash, upon credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as the Collateral Agent (acting at the direction of the Required Purchasers, in their sole discretion) shall deem appropriate. As further provided for in Section 14 hereof, the Collateral Agent shall be authorized at any sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Pledged Collateral for their own account in compliance with the Securities Laws (as such term is defined in Section 14, below) and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer, endorse and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each purchaser at any sale of Pledged Collateral shall take and hold the property sold absolutely free from any claim or right on the part of any of the Pledgors, and each of the Pledgors hereby waives (to the fullest extent permitted by applicable law) all rights of redemption, stay and/or appraisal which any of the Pledgors now has or may at any time in the future have under any applicable law now existing or hereafter enacted. Each of the Pledgors agrees that, to the extent notice of sale shall be required by applicable law, at least ten days' prior written notice to the applicable Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification, but notice given in any other reasonable manner or at any other reasonable time shall constitute reasonable notification. Such notice, in case of public sale, shall state the time and place for such sale, and, in the case of sale on a securities exchange, shall state the exchange on which such sale is to be made and the day on which the respective Pledged Collateral, or portion thereof, will first be offered for sale at such exchange. Any such public

sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and shall state in the notice or publication (if any) of such sale. At any such sale, the applicable Pledged Collateral, or portion thereof to be sold, may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may determine (acting at the direction of the Required Purchasers, in their sole and absolute discretion). The Collateral Agent shall not be obligated to make any sale of any of the Pledged Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Pledged Collateral may have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case the sale of all or any part of the Pledged Collateral is made on credit or for future delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers

thereof, but the Collateral Agent shall not incur any liability to any of the Pledgors in case any such purchaser or purchasers shall fail to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may be sold again upon like notice. At any public sale made pursuant to this Agreement, the Collateral Agent or any secured party, to the extent permitted by applicable law, may bid for or purchase, free from any right of redemption, stay and/or appraisal on the part of any of the Pledgors (all said rights being also hereby waived and released to the extent permitted by applicable law), any part of or all the Pledged Collateral offered for sale and may make payment on account thereof by using any claim then due and payable to the Collateral Agent from any of the Pledgors as a credit against the purchase price, and the Collateral Agent may, upon compliance with the terms of sale and to the extent permitted by applicable law, hold, retain and dispose of such property without further accountability to any of the Pledgors therefor. For purposes hereof, a written agreement to purchase all or any part of the Pledged Collateral shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and none of the Pledgors shall be entitled to the return of any Pledged Collateral subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default may have been remedied or the Obligations may have been paid in full as herein provided. Each of the Pledgors hereby waives any right to require any marshaling of assets and any similar right.

(b) In addition to exercising the power of sale herein conferred upon it, the Collateral Agent shall also have the option to proceed by suit or suits at law or in equity to foreclose this Agreement and sell the Pledged Collateral or any portion thereof pursuant to judgment or decree of a court or courts having competent jurisdiction.

(c) In addition to the foregoing, the Collateral Agent shall have all other rights, powers and remedies which are available to it under any applicable laws.

(d) The rights and remedies of the Collateral Agent under this Agreement are cumulative and not exclusive of any rights or remedies which it would otherwise have.

Section 10. Application of Proceeds of Sale and Cash. Each of the Pledgors agrees to pay to the Collateral Agent all Enforcement Costs (as defined below) paid or incurred by the Collateral Agent. This agreement in this Section 10 shall survive the termination of this Agreement and the Lien on the Pledged Collateral. All Enforcement Costs, together with interest

thereon from the date of any demand therefor until paid in full at a per annum rate of interest equal at all times to the Default Rate, shall be paid by the Company to the Collateral Agent whenever demanded by the Collateral Agent.

Any proceeds of the collection of the sale or other disposition of the Collateral will be applied by the Collateral Agent in accordance with the terms of the Intercreditor Agreement. If the sale or other disposition of the Collateral fails to satisfy all of the Obligations, the Debtors shall remain liable to the Collateral Agent and the Purchasers for any deficiency. Any surplus from the sale or disposition of the Pledged Collateral shall be paid to the respective Debtor or to any other party entitled thereto or shall otherwise be paid over in a manner permitted by law after payment in full of all Obligations and the Enforcement Costs related to any such payment.

As used herein, the term "Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, reasonable attorneys' fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Collateral Agent in connection with (a) the collection or enforcement of any or all of the Obligations or this Agreement (including, without limitation, reasonable attorneys' fees incurred prior to the institution of any suit or other proceeding), (b) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Collateral, (c) the monitoring, inspection, administration, processing, servicing of any or all of the Obligations and/or the Collateral, (d) the preparation of this Agreement, the Security Documents, and the preparation and review of lien and record

searches, reports, certificates, and/or other documents or information relating from time to time to the taking, perfection, inspection, preservation, protection and/or release of a Lien on the Collateral, the value of the Collateral, or otherwise relating to the Collateral Agent's or any Secured Party's rights, powers and remedies under this Agreement or with respect to the Collateral, and (e) all filing and/or recording taxes or fees and all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, the Pledgors hereby agreeing jointly and severally to indemnify and save the Collateral Agent and the Purchasers harmless from and against such liabilities

Section 11. Collateral Agent Appointed Attorney-in-Fact. From and after the occurrence and during the existence of an Event of Default, each of the Pledgors hereby constitutes and appoints the Collateral Agent as the attorney-in-fact of each Pledgor with full power of substitution either in the Collateral Agent's name or in the name of each of the Pledgors to do any of the following with respect to any Securities and the related Pledged Collateral: (a) to perform any obligation of any of the Pledgors hereunder in such Pledgor's name or otherwise; (b) to ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all moneys due or to become due under and by virtue of any Pledged Collateral; (c) to prepare, execute, file, record or deliver notices, assignments, financing statements, continuation statements, applications for registration or like papers to perfect, preserve or release the Collateral Agent's security interest in the Pledged Collateral or any of the documents, instruments, certificates and agreements described in Section 13(b); (d) to verify facts concerning the Pledged Collateral in its own name or a fictitious name; (e) to endorse checks, drafts, orders and other instruments for the payment of money payable to any of the Pledgors, representing any interest or dividend or other distribution payable in respect of the Pledged

Collateral or any part thereof or on account thereof and to give full discharge for the same; (f) to exercise all rights, powers and remedies which any of the Pledgors would have, but for this Agreement, under the Pledged Collateral; and (g) to carry out the provisions of this Agreement and to take any action and execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, and to do all acts and things and execute all documents in the name of each of the Pledgors or otherwise, deemed by the Collateral Agent as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. Nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or notice, or to take any action with respect to the Pledged Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the Collateral Agent or omitted to be taken with respect to the Pledged Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of the Pledgor or to any claim or action against the Collateral Agent. The power of attorney granted herein is irrevocable and coupled with an interest.

Section 12. Reimbursement of Collateral Agent. Each of the Pledgors agrees to pay upon demand to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees disbursements and other charges of its counsel and of any experts or agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or any sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure by any of the Pledgors to perform or observe any of the provisions hereof. Any such amounts payable as provided hereunder shall be additional obligations secured hereby and by the other Security Documents.

Section 13. Further Assurances. Each of the Pledgors shall, at its sole cost and expense, take all action that may be necessary or desirable in the Collateral Agent's sole discretion or at the request of the Required Holders, so as at all times to maintain the validity, perfection, enforceability and priority of the Collateral Agent's security interest in the Pledged Collateral, or to enable the Collateral Agent to exercise or enforce its rights

hereunder, including without limitation (a) delivering to the Collateral Agent, endorsed or accompanied by such instruments of assignment as the Collateral Agent may specify, any and all chattel paper, instruments, letters of credit and all other undertakings of guaranty and documents evidencing or forming a part of the Pledged Collateral and (b) executing and delivering financing statements, pledges, designations, notices and assignments, in each case in form and substance satisfactory to the Collateral Agent, relating to the creation, validity, perfection, priority or continuation of the security interest granted hereunder. Subject to the foregoing, each of the Pledgors agrees to take, and authorizes the Collateral Agent to take on such Pledgor's behalf, any or all of the following actions with respect to any Pledged Collateral as the Collateral Agent shall deem necessary to perfect the security interest and pledge created hereby or to enable the Collateral Agent to enforce its rights and remedies hereunder: (i) to register in the name of the Collateral Agent any Pledged Collateral in certificated or uncertificated form; (ii) to endorse in the name of the Collateral Agent any Pledged Collateral issued in certificated form; and (iii) by book entry or otherwise, identify as belonging to the Collateral Agent a quantity of securities that constitutes all or part of the Pledged Collateral registered in the name of the Collateral Agent.

Notwithstanding the foregoing each of the Pledgors agrees that Pledged Collateral which is not in certificated form or is otherwise in book-entry form shall be held for the account of the Collateral Agent. Each of the Pledgors hereby authorizes the Collateral Agent to execute and file in all necessary and appropriate jurisdictions (as determined by the Collateral Agent) one or more financing or continuation statements (or any other document or instrument referred to in the immediately preceding clause (b)) in the name of the applicable Pledgor and to sign such Pledgor's name thereto. Each of the Pledgors authorizes the Collateral Agent to file any such financing statement, document or instrument without the signature of such Pledgor to the extent permitted by applicable law. To the extent permitted by applicable law, a carbon, photographic, xerographic or other reproduction of this Agreement or any financing statement is sufficient as a financing statement. Any property comprising part of the Pledged Collateral required to be delivered to the Collateral Agent pursuant to this Agreement shall be accompanied by proper instruments of assignment duly executed by each of the Pledgors and by such other instruments or documents as the Collateral Agent may reasonably request.

Section 14. Securities Laws. In view of the position of the Pledgors in relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar applicable law hereafter enacted analogous in purpose or effect, whether foreign or domestic (such Act and any such similar applicable law as from time to time in effect being called the "Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder. Each of the Pledgors understands that compliance with the Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral in accordance with the terms hereof, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral in accordance with the terms hereof under applicable Blue Sky or other state securities laws or similar applicable law analogous in purpose or effect. The Pledgor recognizes that in light of the foregoing restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment, and not with a view to the distribution or resale thereof. Each of the Pledgors acknowledges and agrees that in light of the foregoing restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, may, in accordance with applicable law, (a) proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws and (b) approach and negotiate with a single potential purchaser to effect such sale. Each of the Pledgors acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Collateral in accordance

with the terms hereof at a price that the Collateral Agent(acting at the direction of the Required Holders, in their sole and absolute discretion), may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the

existence of public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

Section 15. Indemnification. Each of the Pledgors agrees to indemnify and hold the Collateral Agent and any corporation controlling, controlled by, or under common control with, the Collateral Agent and any officer, attorney, director, shareholder, agent or employee of the Collateral Agent or any such corporation (each an "Indemnified Person"), harmless from and against any claim, loss, damage, action, cause of action, liability, cost and expense or suit of any kind or nature whatsoever (collectively, "Losses"), brought against or incurred by an Indemnified Person, in any manner arising out of or, directly or indirectly, related to or connected with this Agreement, including without limitation, the exercise by the Collateral Agent of any of its rights and remedies under this Agreement or any other action taken by the Collateral Agent pursuant to the terms of this Agreement; provided, however, the Pledgor shall not be liable to an Indemnified Person for any Losses to the extent that such Losses result from the gross negligence or willful misconduct of such Indemnified Person. The Pledgor's obligations under this section shall survive the termination of this Agreement and the payment in full of the Obligations.

Section 16. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall remain in full force and effect until it terminates in accordance with its terms. Each of the Pledgors and the Collateral Agent hereby agree that the security interest created by this Agreement in the Pledged Collateral shall not terminate and shall continue and remain in full force and effect notwithstanding the transfer to any of the Pledgors or any person designated by it of all or any portion of the Pledged Collateral.

Section 17. Security Interest Absolute. All rights of the Collateral Agent hereunder, the grant of a security interest in the Collateral and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Purchase Agreement, any other Transaction Documents, the Intercreditor Agreement, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of the payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Purchase Agreement, any other Transaction Documents, the Intercreditor Agreement, or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for all or any of the Obligations, including, without limitation, the release of any one or more Pledgors or other Persons from this Agreement or any other agreement securing the payment and performance of the Obligations or other indebtedness of the Pledgors or of any other Person to the Purchasers or the Agent or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any of the Pledgors in respect of the Obligations or in respect of this Agreement (other than the indefeasible payment in full of all the Obligations).

Section 18. No Waiver. Neither the failure on the part of the Collateral Agent to exercise, nor the delay on its part in exercising any right, power or remedy hereunder, nor any course of dealing between the Collateral Agent and any of the Pledgors shall operate as a waiver

thereof, nor shall any single or partial exercise of any such right, power, or remedy hereunder preclude any other or the further exercise thereof or the

exercise of any other right, power or remedy.

Section 19. Notices. Notices, requests and other communications required or permitted hereunder shall be given in accordance with the applicable terms of the Purchase Agreement.

Section 20. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 21. Amendments. No amendment or waiver of any provision of this Agreement nor consent to any departure by any of the Pledgors herefrom shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 22. Binding Agreement; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that none of the Pledgors shall be permitted to assign this Agreement or any interest herein or in the Pledged Collateral, or any part thereof, or any cash or property held by the Collateral Agent as collateral under this Agreement.

Section 23. Termination. Upon indefeasible payment in full of all of the Bank Obligations, and termination of all Commitments under the Purchase Agreement, this Agreement shall terminate. Upon termination of this Agreement in accordance with its terms the Collateral Agent agrees to take such actions as the Company may reasonably request, and at the sole cost and expense of the Company, (a) to return the Pledged Collateral to the applicable Pledgor, and (b) to evidence the termination of this Agreement, including, without limitation, the filing of any releases or any termination statements under the Uniform Commercial Code.

Section 24. Joint and Several Liability; Additional Pledgors; Release of Pledgors. The obligations and liabilities of the Pledgors from time to time party to this Agreement shall be joint and several. Section 7.07 of the Purchase Agreement provides that Domestic Subsidiaries which own or acquire a Significant Direct Foreign Subsidiary and which are not Pledgors must become Pledgors by, among other things, executing and delivering to the Agent a counterpart to this Agreement. Any Domestic Subsidiary which executes and delivers to the Agent a counterpart of this Agreement shall be a Pledgor for all purposes hereunder and shall thereafter be jointly and severally liable with all other Pledgors then party to this Agreement or thereafter joined hereto.

Section 25. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

Section 26. Headings. Section headings used herein are for convenience only and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

Section 27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute but one agreement.

Section 28. Subordination to Senior Debt Documents. This Agreement and the liens and security interests created hereby are subject and subordinated to the Senior Debt Documents.

[Signatures on Next Page]

IN WITNESS WHEREOF, each of the Pledgors has executed and delivered this Agreement under seal as of this the date first written above.

CROWN CRAFTS, INC.

By: (SEAL)

Name:

Title:

Agreed to, accepted and acknowledged as of the date first written above.

WACHOVIA BANK, N.A., as Collateral Agent

By:

Title:

EXHIBIT A

PLEDGED COLLATERAL

PLEDGOR: CROWN CRAFTS, INC.

<TABLE>
<CAPTION>

Name of Subsidiary	Class of Stock	No. of Shares Authorized	No. of Shares Issued	No. of Shares Outstanding	No. of Shares Pledged	Certificate Nos. for Pledged Shares
<S>	<C>	<C>	<C>	<C>	<C>	
Burgundy Interamericana, S.A. de C.V.	Common	50,000	50,000	50,000	49,999	1, 2, 3 and 4

</TABLE>

EXHIBIT B

PLEDGORS

Crown Crafts, Inc., a Georgia corporation
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Federal Tax I.D. # 58-0678148

EXHIBIT F

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made as of July 23, 2001, by and among CROWN CRAFTS, INC., a Georgia corporation (the "Parent"), CHURCHILL WEAVERS, INC., a Kentucky corporation ("Weavers"), HAMCO, INC., a Louisiana corporation ("Hamco"), and CROWN CRAFTS INFANT PRODUCTS, INC, a Delaware corporation ("CCIP" with the Parent, Weavers, and Hamco, individually and collectively, the "Debtors"), and WACHOVIA BANK, N.A., a national banking association organized under the laws of the United States of America, acting as Collateral Agent under this Agreement and the Intercreditor Agreement (as described below) for the "Purchasers" from time to time party to the Purchase Agreement described below ("Wachovia" and, in its capacity as Collateral Agent, together with any successor agent, the "Agent").

RECITALS:

WHEREAS, the Parent and the Purchasers have entered into that certain Subordinated Note and Warrant Purchase Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Purchase Agreement"; capitalized terms used herein without definition have the meanings set forth in the Purchase Agreement), pursuant to which the Purchasers have agreed, subject to the terms thereof, to make available to the Parent certain financial accommodations;

WHEREAS, the Purchasers, the Senior Lenders and Wachovia Bank, N.A., as Collateral Agent, have entered into that certain Intercreditor Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Intercreditor Agreement"), pursuant to which Wachovia Bank, N.A. is appointed as Collateral Agent for the Purchasers;

AGREEMENTS:

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which the parties hereto hereby acknowledge, the parties hereto agree as follows:

DEFINITIONS

In addition to the definitional provisions contained in SECTION 5.9 hereof and the defined terms contained in the Purchase Agreement which are incorporated by reference herein as set forth in the Recitals hereto, as used in this Agreement, the terms defined in the Preamble and Recitals hereto shall have the respective meanings specified therein, and the following terms shall have the following meanings:

"Account Debtor" shall mean the Person who is obligated on any of the Accounts Receivable Collateral or Factored Accounts or otherwise is obligated as a purchaser or lessee of any of the Inventory Collateral.

"Accounts Receivable Collateral" shall mean and include all accounts, instruments, and chattel paper, including, without limitation, all rights of each Debtor to payment for goods sold or leased, or to be sold or to be leased, or for services rendered or to be rendered, howsoever evidenced or incurred, and together with all returned or repossessed goods and all books, records, computer tapes, programs and ledger books arising therefrom or relating thereto, all whether now owned or hereafter acquired or arising; provided that the term "Accounts Receivable Collateral" shall not include Factored Accounts.

"Approved Depository" means either (a) the Agent or (b) another depository bank which is acceptable to the Agent, with whom the Agent has entered into an agreement satisfactory to it and pursuant to which, among other things, the Approved Depository: (i) agrees to waive any right of setoff with respect to the Collateral, the Cash Collections and the Cash Deposits; (ii) acknowledges and agrees that the Agent has a security interest in the Collateral, and that it is the bailee of the Agent with respect thereto; and (iii) agrees that, upon notice from the Agent of an Event of Default, it will act strictly in accordance with the instructions of the Agent with respect to deposit balances of the Debtors held by it, including, without limitation, any instructions of the Agent to remit such balances to it, and not in accordance with any instructions of the Debtors, or any other Person.

"Balances Collateral" shall mean all property of each Debtor left with the Agent or any Purchaser or in the possession, custody or control now or hereafter of the Agent or any Purchaser, all deposit accounts of each Debtor now or hereafter opened with the Agent or any Purchaser or with another depositary which has executed a Blocked Account Agreement, all certificates of deposit issued by the Agent or any Purchaser to any Debtor or by another issuer which has executed a Blocked Account Agreement or where the certificate of

deposit has been pledged with the Agent, all drafts, checks and other items deposited in or with the Agent or any Purchaser by any Debtor for collection now or hereafter.

"Blocked Account Agreement" means a Blocked Account Agreement substantially in the form and substance acceptable to the Required Holders, executed and delivered by any depositary institution with which any Debtor has a demand deposit, operating account or other such similar depositary relationship.

"Cash Collections" means all cash, checks, drafts, items and other instruments for the payment of money received by each Debtor from proceeds of Collateral.

"Cash Deposits" means all deposits of Cash Collections with depository banks, including with the Approved Depositaries.

"CITCSI" means The CIT Group/Commercial Services, Inc.

"Collateral" means the personal property in which the Agent, for the benefit of the Purchasers, is granted a security interest pursuant to SECTION 1.1.

"Collateral Information Certificate" means that certain Collateral Information Certificate dated as of even date herewith which was executed and delivered to the Agent by each of the Debtors and which contains the disclosure of information pertaining to the Collateral.

"Collateral Locations" shall mean the respective state of organization of each Debtor, chief executive office of each Debtor and those additional locations, if any, of each Debtor set forth and described in the Collateral Information Certificate.

"Collateral Reserve Account" shall mean any non-interest bearing, demand deposit account which any Debtor is or may be required to open and maintain with the Agent pursuant to the requirements of SECTION 3.1.6 hereof.

"Debtors" means, individually and collectively, as the context requires, each of the following Persons, each of them being jointly and severally obligated as Debtors hereunder: (i) each of the Debtors listed in the first paragraph of this Agreement; (ii) any Person which becomes a Debtor pursuant to the provisions of the Purchase Agreement; and (iii) in the case of each Debtor, its successors and its permitted assigns.

"Default Rate" shall have the meaning given such term in the Purchase Agreement.

"Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, attorneys' fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Agent in connection with (a) the collection or enforcement of any or all of the Secured Obligations or this Agreement (including, without limitation, attorneys' fees incurred prior to the institution of any suit or other proceeding), (b) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Collateral, (c) the monitoring, inspection, administration, processing, servicing of any or all of the Secured Obligations and/or the Collateral, (d) the preparation of this Agreement, the Security Documents, and the preparation and review of lien and record searches, reports, certificates, and/or other documents or information relating from time to time to the taking, perfection, inspection, preservation, protection and/or release of a Lien on the Collateral, the value of the Collateral, or otherwise relating to the Agent's or any Purchaser's rights, powers and remedies under this Agreement or with respect to the Collateral, and (e) all filing and/or recording taxes or fees and all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, each Debtor hereby agreeing to indemnify and save the Agent and the Purchasers harmless from and against such

liabilities.

"Equipment Collateral" shall mean all equipment and fixtures of each Debtor, whether now owned or hereafter acquired, wherever located, including, without limitation, all machinery, furniture, furnishings, leasehold improvements, computer equipment, books and records, motor vehicles, forklifts, rolling stock, dies and tools used or useful in such Debtor's business operations, and software embedded in any such goods, excluding, however, Excluded Equipment.

"Event of Default" has the meaning given such term in SECTION 9.01 of the Purchase Agreement.

"Excluded Equipment" means (i) any equipment subject to a Purchase Money Lien as to which the purchase money creditor holding such Lien prohibits other Liens thereon without its prior consent, unless and until either (A) such creditor grants such consent or (B) the Debt secured by such Lien has been fully paid and satisfied; and (ii) any equipment with respect to which the rights of possession and use of any Debtor are created pursuant to a lease which does not create a security interest, unless and until such time (if any) as such Debtor acquires title to such equipment from the lessor or the lessor abandons its rights and claims thereto.

"Factored Accounts" means all accounts of any Debtor actually purchased by a Permitted Factor in connection with a factoring program approved by the Purchasers, which factoring program, among other things, shall not provide for any loans or advances to be made to any of the Debtors on account of accounts to be purchased by such Permitted Factor or any Lien on accounts or related assets not purchased or identified for purchase by such Factor.

"Factoring Balances Agreement" means the Assignment of Factoring Balances Agreement dated on or about the date of this Agreement among the Debtors, collectively and individually, the Agent, and CITCSI.

"Governmental Authority" means any nation or government, any state or other political subdivision or agency thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Intangibles Collateral" shall mean all general intangibles of each Debtor, whether now existing or hereafter acquired or arising, including, without limitation, all copyrights, royalties, tax refunds, rights to tax refunds, trademarks, trade names, service marks, patent and proprietary rights, blueprints, drawings, designs, trade secrets, plans, diagrams, schematics and assembly and display materials relating thereto, all customer lists, all books and records and all computer software and programs, and all goodwill of each Debtor associated therewith.

"Inventory Collateral" shall mean all inventory of each Debtor, whether now owned or hereafter acquired, wherever located, including, without limitation, all goods of such Debtor held for sale or lease or furnished or to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, spare parts, repair parts, returned and repossessed goods, software embedded in such goods, all raw materials, work- in-process, finished goods and supplies used or consumed in such Debtor's business, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading or orders for the delivery of all, or any portion, of the foregoing; provided, however, that "Inventory Collateral" shall not include goods which are placed by the owner thereof on consignment with a Debtor in compliance with SECTION 2-326 of the UCC of the applicable jurisdiction.

"Laws" means all ordinances, statutes, rules, regulations, orders, injunctions, writs, or decrees of any Governmental Authority.

"Material Contract" means any contract, lease, instrument, guaranty or license, or other arrangement (other than any of the Transaction Documents), whether written or oral, to which any Debtor or any of the Subsidiaries is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could have a Material Adverse Effect.

"Purchaser" has the meaning given such term in the first paragraph of this Agreement.

"Permitted Encumbrances" shall have the meaning given such term in the Purchase Agreement.

"Permitted Factors" means any factor which has been approved by the Purchasers and which has executed and delivered, and is subject to, a Factoring Balances Agreement.

"Purchase Money Lien" shall have the meaning given such term in the Purchase Agreement.

"Secured Obligations" means (a) the full and final payment and/or performance of all "Obligations" under the Purchase Agreement (as such term is defined in the Purchase Agreement) and (b) the full and final payment and/or performance of all Enforcement Costs.

"Third Party" means any landlord, warehousemen, servicer, processor, bailee and other third parties which may, from time to time, be in the possession or control of, any Collateral or any property on which any Collateral is or may be located.

"Third Party Claims" means claims of Third Parties against any Debtor for rent, storage, maintenance, repair, processing, servicing or bailment in respect of any Collateral or any property on which any Collateral is or may be located.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect in the relevant jurisdiction, as amended from time to time.

"Waiver Agreement" means a Waiver and Agreement substantially in a form acceptable to the Required Holders, executed and delivered by any Third Party waiving or subordinating its Third Party Claims, and making certain other agreements in regard to the Collateral, all on terms satisfactory to the Agent in all respects.

ARTICLE 1

Section 1.1 As security for the payment of all Secured Obligations, each Debtor hereby grants to Agent, for the ratable benefit of the Purchasers, a continuing, general lien upon and security interest and security title in and to the following described property, wherever located, whether now existing or hereafter acquired or arising, namely: (a) the Accounts Receivable Collateral and all amounts payable to any Debtor by a Permitted Factor with respect to Factored Accounts; (b) the Inventory Collateral; (c) the Equipment Collateral; (d) the Intangibles Collateral; (e) the Balances Collateral; and (f) all products and/or proceeds of any and all of the foregoing, including, without limitation, insurance proceeds.

Section 1.2 Release. Except as provided in SECTION 3.1.10 below, the Agent shall have no right or obligation to release and/or terminate this Agreement, except upon both the performance of this Agreement and the indefeasible payment and/or performance of all Secured Obligations and the expiration and termination of any and all commitments or obligations (whether or not conditional) of the Purchasers to the Debtors. Each of the Purchasers agrees that it shall notify the Agent in writing promptly upon (i) the termination of any commitment or other obligations relating to financial accommodations with respect to the Secured Obligations owed to such Purchaser, and (ii) the payment in full of the Secured Obligations owed to such Purchaser. When all Purchasers have so notified the Agent, the Agent shall reasonably

cooperate with the Debtors to provide for such release and/or termination of this Agreement and the security interests granted herein.

Section 1.3 Financing Statements. Each of the Debtors authorizes the Agent to file financing statements consistent with this Agreement in such filing offices as it shall select, and acknowledges that such financing statement may describe the Collateral as "all personal property" of such Debtor.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties. Each of the Debtors, jointly and severally, represents and warrants to the Agent as follows:

2.1.1 Place(s) of Business and Location of Collateral; Related Information; Jurisdiction of Incorporation. The correct corporate name and state of organization of each Debtor, address of such Debtor's chief executive office and principal place of business, each of its other places of business, each place owned or leased by such Debtor where the Collateral or any books or records relating thereto are located, and such Debtor's Federal Identification number are accurately set forth in the Collateral Information Certificate. Such Debtor is incorporated under the laws of the state indicated in the Collateral Information Certificate. Each Debtor's state organization identification number is set forth below:

<TABLE>
<CAPTION>

DEBTOR	ORGANIZATIONAL IDENTIFICATION NUMBER
<S>	<C>
Crown Crafts, Inc.	7402471
Churchill Weavers, Inc.	0009403
Hamco, Inc.	34195389D
Crown Crafts Infant Products, Inc.	2840837

</TABLE>

2.1.2 Corporate Existence and Power. Such Debtor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, except where the failure to qualify would not have or reasonably be expected to cause a Material Adverse Effect, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have any such licenses, authorizations, consents and approvals could not have or reasonably be expected to cause a Material Adverse Effect.

2.1.3 Corporate and Governmental Authorization; No Contravention. Such Debtor's execution, delivery and performance of this Agreement, the Notes and the other Transaction Documents (i) are within such Debtor's corporate powers, (ii) have been duly authorized by all necessary corporate action, and have been executed on behalf of such Debtor by duly authorized officers, (iii) require no action by or in respect of or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles or certificate of incorporation or by-laws of such Debtor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the such Debtor or any of its Subsidiaries (excepting any license agreements or other Intangibles Collateral which operate to restrict the

collateral assignment thereof or the grant of a security interest therein or in Licensed Inventory or other property licensed thereunder or subject to the terms thereof, the effect of which restrictions is limited by applicable law), and (v) do not result in the creation or imposition of any Lien on any asset of such Debtor or any of its Subsidiaries (except in favor of the Agent).

2.1.4 Binding Agreements. This Agreement constitutes a valid and binding agreement of such Debtor enforceable in accordance with its terms, and the Notes and the other Transaction Documents, when executed and delivered in accordance with the Purchase Agreement, will constitute valid and binding obligations of such Debtor enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and provided, further, that the enforcement of the Collateral Agent's security interests in any license agreements or other Intangibles Collateral, and any Licensed Inventory or other property licensed thereunder or subject to the terms thereof, is subject to the terms of such license agreements or other Intangibles Collateral, except to the extent otherwise provided by applicable law.

2.1.5 Title to Collateral. Such Debtor has good and marketable title to its properties and assets which are included among or give rise to the Collateral, subject only to Liens of the Agent pursuant to this Agreement and the other Transaction Documents and except for Permitted Encumbrances and any restrictions relating to collateral assignment or transfer of any license agreement or other Intangibles Collateral which operate to restrict the collateral assignment thereof or the grant of a security interest therein or in Licensed Inventory or other property licensed thereunder or subject to the terms thereof, the effect of which restrictions is limited by applicable law). Subject to the limitations noted in the immediately preceding sentence, such Debtor has legal, enforceable and uncontested rights to use freely such property and assets.

2.1.6 Bona Fide Rights of Payment; Right to Assign. Each right of payment constituting a part of the Collateral arises or will arise under a contract between such Debtor and each Account Debtor, or from the bona fide sale or delivery of goods to or performance of services for, such Account Debtor. No Governmental Authority is an Account Debtor with respect to any portion of the Collateral. Such Debtor has full right, power and authority to make the assignment pursuant to this Agreement of the Accounts Receivable Collateral and to grant a security interest in all of the Collateral.

2.1.7 Recitals. The Recitals to this Agreement are true, accurately reflect the matters set forth herein and are hereby incorporated into and made a part of this Agreement.

2.1.8 Purchase of Collateral. Such Debtor has not, within the 12 months period preceding the Closing Date, purchased any of the Collateral in a bulk transfer or in a transaction which was outside the ordinary course of the business of such Debtor's seller.

2.1.9 Account Debtor Capacity and Solvency. Each Account Debtor hereunder (a) had the capacity to contract at the time any contract or other document giving rise to the account was executed and (b) such Account Debtor was not and is not "insolvent" as that term is defined in the Purchase Agreement.

2.1.10 Proceedings with Respect to Accounts. There are no proceedings or actions which are threatened or pending against any Account Debtor which are reasonably likely to have a material adverse change in such Account Debtor's financial condition or the collectibility of such account.

2.1.11 Survival of Representations and Warranties. All representations and warranties contained in or made under or in connection with this Agreement shall survive the execution of this Agreement and the incurring of any particular Secured Obligations.

ARTICLE 3
COVENANTS AND AGREEMENTS OF THE Debtors

Section 3.1 Covenants. So long as any of the Secured Obligations (or commitments therefor, if any) shall be outstanding, each of the Debtors, jointly and severally, agrees with the Agent, for itself and the Purchasers, as follows:

3.1.1 Conduct of Business and Maintenance of Existence, Compliance with Laws, Etc. Such Debtor will (i) do or cause to be done all things necessary to preserve and to keep in full force and effect its corporate existence and material rights and its franchises, trade names, patents, trademarks and permits which are necessary for the continuance of its business, and (ii) comply with all applicable Laws and observe the valid requirements of Governmental Authorities, the noncompliance with or the nonobservance of which would materially interfere with the performance of its obligations hereunder, or the Agent's interest in the Collateral.

3.1.2 Business Names and Addresses. Within the previous 5 years, such Debtor has not conducted business under or been legally known by any name and will not change its name to any other name other than those disclosed in the Collateral Disclosure Certificate.

3.1.3 Certain Notices. Such Debtor will notify the Agent: (a) not less than 30 days prior to (i) any change in the name, state of organization or corporate structure under which it conducts its business, its Federal Tax Identification Number or its state organizational identification number, and (ii) the opening of any new place of business or any change in any of the places where the books and records concerning the Collateral, or any part thereof, are kept (and will provide to the Agent prior to any such change all financing statements requested by it in connection with such new place of business or location of books and records, as well as any other security instrument that the Agent may require be executed by such Debtor in order to constitute a Lien upon any new Collateral that may be located (as permitted under SECTION 3.1.9 hereof) in said new place of business or books and records) (but the Agent hereby acknowledges receipt of the notice of the relocation to Louisiana as contemplated in the Purchase Agreement); and (b) promptly, of (i) the commencement of any litigation affecting any of the Collateral or the title thereto or rights therein, other than arising out of disputes with Account Debtors pertaining to the Collateral, in an aggregate amount not in excess of $25,000 not covered by insurance, or (ii) the occurrence of any material casualty or other loss affecting any material portion of the Collateral.

3.1.4 Maintenance of the Collateral; Insurance. Such Debtor will maintain the Collateral in good working order, saving and excepting ordinary wear and tear, and will not permit anything to be done to the Collateral which may materially impair the value or use thereof. The Agent and each Purchaser, or representatives designated by the Agent or such Purchaser, respectively, shall be permitted to enter the premises of such Debtor and examine, audit and inspect the Collateral at any reasonable time and from time to time without notice. Such Debtor will promptly furnish to the Agent and each Purchaser all such additional information regarding the Collateral as the Agent or such Purchaser may from time to time reasonably request. Such Debtor shall maintain insurance on the Collateral consisting of goods with such companies, in such amounts and against such risks as are consistent with industry standards, with loss payable to the Agent as its interests may appear. Such insurance shall not be cancelable by such Debtor, unless with the prior written consent of the Agent, or by such Debtor's insurer, unless with at least (i) 10 days advance written notice to the Agent in the event of a cancellation for nonpayment of premiums or other amounts, or (ii) 30 days advance written notice to the Agent in all other events.

3.1.5 Recordings and Filings. Such Debtor shall: (a) execute and deliver all financing documents (including, without limitation, UCC-1 and UCC-3 statements) required to be filed, registered or recorded in order to create, in favor of the Agent, a first priority (subject to the express provisions hereof), perfected Lien in the Collateral, to the extent such Lien can be perfected under the Uniform Commercial Code, in form and in

sufficient number for filing, registration, and recording in each office in each jurisdiction in which such filings, registrations and recordations are required, and (b) deliver such evidence as the Agent may deem satisfactory that all necessary filing fees and all recording and other similar fees, and all taxes and other expenses related to such filings, registrations and recordings will be or have been paid in full.

3.1.6 Defense of Title and Further Assurances. At its expense such Debtor will defend the title to the Collateral (or any part thereof), and promptly upon request execute, acknowledge and deliver any financing statement, renewal, affidavit, assignment, continuation statement, security agreement, certificate, or other document the Agent may reasonably require

in order to perfect, preserve, maintain, continue, protect and/or extend the Lien granted to the Agent under this Agreement and its priority under the Uniform Commercial Code. Such Debtor will (i) comply in all material respects with all license agreements relating to any Collateral and, upon the request of the Agent, use commercially reasonable efforts to obtain and furnish to the Agent any consents from licensors to effect the purposes of this Agreement, (ii) duly execute and/or deliver (or cause to be duly executed and/or delivered) to the Agent any instrument, agreement, invoice, document, document of title, dock warrant, dock receipt, warehouse receipt, bill of lading, order, financing statement, assignment, waiver, Waiver Agreement, consent, acknowledgment, control agreement or other writing which may be reasonably necessary to the Agent to carry out the terms of this Agreement and any of the other Transaction Documents and to perfect its security interest or intended security interest in and facilitate the collection of the Collateral, the proceeds thereof, and any other property at any time constituting security or intended to constitute security to the Agent, (iii) deliver to the Agent in pledge all instruments evidencing the obligation to pay any of the Collateral not maintained or pledged with the Agent, and (iv) from time to time do whatever the Agent may reasonably request by way of obtaining, executing, delivering, and/or filing financing statements, and other notices and amendments and renewals thereof, and will take any and all steps and observe such formalities as the Agent may reasonably request, in order to create and maintain a valid Lien upon the Collateral, subject to no other Liens, except as permitted hereby or by the Transaction Documents. The Debtors agree that a photocopy of a fully executed financing statement shall be sufficient to satisfy for all purposes the requirements of a financing statement as set forth in Article 9 of the Uniform Commercial Code. Such Debtor will comply in all material respects with all federal, state and local laws and regulations affecting the Collateral.

3.1.7 Security, etc. Such Debtor agrees that the Agent may at any time take such steps as the Agent deems reasonably necessary to protect the Agent's Lien upon and interest in, and to preserve the Collateral, whether at the business premises of such Debtor or elsewhere.

3.1.8 Other Liens. Such Debtor will not permit any Liens on or with respect to all or any part of the Collateral, except as expressly permitted hereby and by the Transaction Documents.

3.1.9 Location of Collateral. Except as expressly permitted elsewhere in this Agreement or except as may be permitted by the Transaction Documents, without prior written consent of the Agent, such Debtor will not transfer, or permit the transfer of any of the Collateral except (i) to a location for which the security interest in favor of the Agent therein shall remain perfected, (ii) to any other location so long as such Debtor shall give the Agent written notice thereof and deliver executed financing statements as reasonably requested by the Agent in connection therewith within 30 days of such transfer, and (iii) for Collateral with a book value of less than $50,000 to another location.

3.1.10 Disposition of Collateral. Without the prior written consent of the Agent (acting at the direction of the Required Holders), such Debtor will not sell, discount, allow credits or allowances, transfer, assign, extend the time for payment on, convey, lease, assign, transfer or otherwise dispose of the Collateral, or any part thereof, except, prior to an Event of

Default, (i) sales of inventory, discounts, co-op advertising, credits or credit allowances and payment extensions in the ordinary course of business in accordance with the customary business

practices of such Debtor in effect on the date hereof, (ii) sales of accounts receivables to CITCSI from time to time so long as the Factoring Balances Agreement remains in effect, and (iii) as otherwise expressly permitted by the Transaction Documents. Upon the permitted sale, exchange or other disposition of any of the Collateral, the Lien created and provided for herein, without break in continuity and without further formality or act, shall continue in and attach to any proceeds thereof, including, without limitation, any accounts, contract rights, general intangibles, shipping documents, documents of title, bills of lading, warehouse receipts, dock warrants, dock receipts, equipment and cash or non-cash proceeds, and in the event of any unauthorized sale, shall continue in the Collateral itself.

3.1.11 Depository Accounts; Collections.

(a) Subject to the terms of the Intercreditor Agreement and the Senior Debt Documents, simultaneously herewith, the Debtors shall establish and continually maintain with the Agent one or more Collateral Reserve Accounts under the sole and exclusive control of the Agent into which Debtors shall cause each Account Debtor to remit all cash, checks, drafts, items and other instruments for the payment of money which it now has or may at any time hereafter receive in full or partial payment for the Inventory Collateral or otherwise as proceeds of the Accounts Receivable Collateral; provided, however, as to Churchill Weavers, Inc., the Agent shall be provided with a Blocked Account Agreement within four (4) days of closing with Churchill Weavers, Inc.'s depositary bank or banks, requiring all balances therein in excess of $100,000 to be transmitted to the Agent for deposit in a Collateral Reserve Account, with such balances being transmitted on a weekly basis on each Friday and on any other day on which the aggregate amount of balances in such account is equal to or in excess of $100,000. In addition, each Debtor receiving Net Cash Proceeds of dispositions of assets or of the issuance of Capital Stock or Redeemable Preferred Stock or the incurrence of Debt for money borrowed (except Debt secured by Purchase Money Liens), or Net Casualty/Insurance Proceeds shall (or shall cause such other Person receiving such cash proceeds to) remit all such cash proceeds to the Collateral Reserve Account. In the event such items of payment are inadvertently received by any of the Debtors or any other Person, whether or not in accordance with the terms of this Agreement, such Debtor or other Person shall be deemed to hold the same in trust for the benefit of Agent and promptly forward them to the Agent for deposit in the Collateral Reserve Account. The Agent will deposit all such items of payment received from such Account Debtors into the Collateral Reserve Account promptly upon receipt, and, except as provided in the Senior Credit Agreement and in any event subject to the provisions of Section 29 of the Intercreditor Agreement, the Agent shall apply (or distribute to the Agent for such application) the proceeds from such items of payment in accordance with the Purchase Agreement. Net Cash Proceeds of dispositions of assets or of the issuance of Capital Stock or Redeemable Preferred Stock or the incurrence of Debt for money borrowed (except Debt secured by Purchase Money Liens) and Net Casualty/Insurance Proceeds shall be held subject to the provisions of the Senior Credit Agreement, and any Net Cash Proceeds or Net Casualty/Insurance Proceeds not required to be paid to the Agent for the account of the Purchasers shall be paid to the Debtors on the date such payment is made for the account of the Purchasers. During the existence of an Event of Default the Agent may at any time in its sole discretion or if requested in writing by the Required Holders,

direct Account Debtors to make payments on the Accounts Receivable

Collateral, or portions thereof, directly to the Agent, and the Account Debtors are hereby authorized and directed to do so by each Debtor upon the Agent's direction, and the funds so received shall be also deposited in the Collateral Reserve Account, or, at the election of the Agent, upon its receipt thereof, be applied directly to repayment of the Obligations as set forth in the Purchase Agreement, subject to Section 29 of the Intercreditor Agreement.

(b) The Debtors shall not open or maintain any deposit account with any depositary institution (except with the Agent and subject to the Liens created by this Agreement) unless the depository institution for such account shall have entered into a Blocked Account Agreement with the Agent, and the Debtor shall deliver to the Agent in pledge all certificates of deposit issued by any such depositary institution. As of the Closing Date, all deposit accounts maintained by the Debtors with any depositary institutions are listed on SCHEDULE A attached hereto.

3.1.12 Control of Certain Collateral. No item of Accounts Receivable Collateral consisting of non-electronic chattel paper has or will be created without including thereon a legend acceptable to the Agent indicating that the Agent has a security interest therein, and at the request of the Agent, it will take such steps as are required to establish "control" in favor of the Agent under the Uniform Commercial Code in any electronic chattel paper, investment property, or letter-of-credit rights.

3.1.13 Inventory Returns. If at any time or times hereafter any Account Debtor returns any Inventory Collateral of such Debtor the shipment of which generated an account on which such Account Debtor is obligated in excess of $50,000.00, such Debtor shall notify the Agent of the same immediately, specifying the reason for such return and the location and condition of the returned Inventory.

3.1.14 Preservation of Intangibles Collateral. Such Debtor shall take all reasonably necessary and appropriate measures, taking into account the value and usefulness of the relevant Intangibles Collateral and the cost of such measures, to obtain, maintain, protect and preserve the Intangibles Collateral including, without limitation, registration thereof with the appropriate state or federal governmental agency or department.

3.1.15 Records Respecting Collateral. All of such Debtor's records with respect to the Collateral will be kept at its Executive Office and will not be removed from such address without the prior written consent of Agent.

3.1.16 Collateral Location Waivers. With respect to each of the applicable Collateral Locations, such Debtor will obtain such waivers of lien, estoppel certificates, subordination agreements, or Waiver Agreements as the Agent may reasonably require to insure the priority of its security interest in that portion of the Collateral situated at such locations.

3.1.17 Payment of Taxes On and Use of Collateral 3.1.18. Such Debtor shall timely pay all taxes and other charges against its Collateral and will not use the Collateral illegally.

ARTICLE 4
RIGHTS AND REMEDIES UPON DEFAULT

Section 4.1 Rights and Remedies, etc.

4.1.1 General Rights and Remedies. If any Event of Default is in existence, then, in each and every such case, the Agent may, at its option exercised from time to time, and at the written direction of the Required Holders will, subject to and as provided in the Intercreditor Agreement, at any time thereafter while such Event of Default is continuing, exercise any rights, powers and remedies available to the Agent under this Agreement and the Purchase Agreement and applicable Laws.

4.1.2 Enforcement Costs; Application of Proceeds. The Debtors agree to pay to the Agent all Enforcement Costs paid or incurred by the Agent, and such agreement shall survive the termination of this Agreement and the Lien on the Collateral. All Enforcement Costs, together with interest thereon from the date of any demand therefor until paid in full at a per annum rate of interest equal at all times to the Default Rate, shall be paid by the Debtors to the Agent whenever demanded by the Agent.

Any proceeds of the collection of the sale or other disposition of the Collateral will be applied by the Agent in accordance with the terms of Section 29 of the Intercreditor Agreement. If the sale or other disposition of the Collateral fails to satisfy all of the Secured Obligations, the Debtors shall remain liable to the Agent and the Purchasers for any deficiency. Any surplus from the sale or disposition of the Collateral shall be paid to the Debtors or to any other party entitled thereto or shall otherwise be paid over in a manner permitted by law, after payment in full of all Secured Obligations and the Enforcement Costs related to any such payment.

Section 4.2 Uniform Commercial Code and Other Remedies.

(a) Upon the occurrence of an Event of Default, the Agent or any representative of Agent, acting at the direction of the Required Holders, shall have the rights and remedies of a secured party under the UCC, the Uniform Commercial Code as in effect in any relevant jurisdiction on the date thereof (regardless of whether the same has been enacted in the jurisdiction where the rights or remedies are asserted), and under any other applicable laws, including, without limitation, the right to require the Debtors to assemble the Collateral, at the Debtors' expense, and make it available to the Agent at a place designated by the Agent which is reasonably convenient to both parties, and enter any premises where any of the Collateral shall be located and to keep and store the Collateral on said premises until sold (and if said premises be the property of any Debtor or any of its Subsidiaries, such Debtor agrees not to charge the Agent for storage thereof), to take possession of any of the Collateral or the proceeds thereof, to sell or otherwise dispose of the same, and the Agent shall have the right to conduct such sales on the premises of the Debtors, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. The Agent, acting at the direction of the Required Holders, may sell, lease or dispose of Collateral for cash, credit, or any combination thereof, and shall have the right to appoint a receiver of the Account's Receivable Collateral and the Inventory Collateral or any part thereof, and the right to

apply the proceeds therefrom as set forth in the Purchase Agreement. The Agent shall give the Debtors written notice of the time and place of any public sale of the Collateral or the time after which any other intended disposition thereof is to be made. Any written notice of the sale, disposition or other intended action by the Agent with respect to the Collateral which is sent by regular mail, postage prepaid, to a Debtor at the address for such Debtor set forth for notices herein, or such other address of such Debtor which may from time to time be shown on the Agent's records, at least 10 days prior to such sale, disposition or other action, shall constitute reasonable notice to such Debtor. Expenses of retaking, verifying, restoring, holding, insuring, collecting, preserving, liquidating, protecting, preparing for sale or selling, or otherwise disposing of or the like with respect to the Collateral shall include, in any event, reasonable attorneys' fees and other legally recoverable collection expenses, all of which shall constitute a portion of the Enforcement Costs and, therefore, part of the Secured Obligations.

(b) To the extent permitted by law, the Debtors hereby waive all rights which the Debtors have or may have under and by virtue of O.C.G.A. CH. 44-14, including, without limitation, the right of the Debtors to notice and to a judicial hearing prior to seizure of any Collateral by the Agent.

(c) Unless and except to the extent expressly provided for to the contrary herein, the rights of the Agent specified herein shall be in addition to, and not in limitation of, the Agent's or Purchaser's rights under the Uniform Commercial Code, or any other statute or rule of law or equity, or under any other provision of any of the Transaction Documents, or under the provisions of any other document, instrument or other writing executed by the Debtors or any Third Party in favor of the Agent, all of which may be exercised successively or concurrently.

(d) The Agent is hereby granted a license or other right to use, without charge, each Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, tradenames, trademarks and advertising matter, or any Property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral, and the Debtors' rights under all licenses and all franchise agreements shall inure to the Agent's benefit.

(e) Neither the Agent nor any Purchaser shall be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except the Agent for reasonable care in the custody thereof while any Collateral is in the Agent's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever, but the same shall be at the Debtors' sole risk.

(f) Neither the Agent nor any Purchaser shall be under any obligation to marshal any assets in favor of any of the Debtors or any other Person or against or in payment of any or all of the Secured Obligations.

Section 4.3 Power of Attorney. Each Debtor hereby irrevocably designates and appoints the Agent its true and lawful attorney either in the name of the Agent or in the name of

the Debtors, effective upon the occurrence and during the existence of an Event of Default, to ask for, demand, sue for, collect, compromise, compound, receive, receipt for and give acquittance for any and all sums owing or which may become due upon any part of the Collateral or under any insurance maintained in accordance with the Security Documents and, in connection therewith, to take any and all actions as the Agent may deem necessary or desirable in order to realize upon the Collateral or under any insurance maintained in accordance with the Security Documents, including, without limitation, power to endorse in the name of the Debtors any checks, drafts, notes or other instruments received in payment of or on account of the Collateral or under any insurance maintained in accordance with the Security Documents, or to sign the respective Debtor's name on any invoice or bill of lading relating to the Collateral, on notices of assignment, on public records, on verifications of Collateral and on notices to Account Debtors, or on any proof of claim in bankruptcy proceeding against an Account Debtor and any other obligor with respect to the Collateral, to send requests for verification from Account Debtors, to notify the post office authorities to change the address for delivery of the respective Debtor's mail to an address designated by the Agent and to receive, open and dispose of all mail addressed to the respective Debtor. Notwithstanding the foregoing, the Agent shall not be under any duty to the Debtors to exercise any such authority or power or in any way be responsible for the collection of the Collateral or under any insurance maintained in accordance with the Security Documents. The foregoing power of attorney, being coupled with an interest, is irrevocable until the Secured Obligations have been fully satisfied and any commitments therefor terminated. The Agent may file one or more financing statements disclosing its Lien in any or all of the Collateral without the respective Debtor's signature appearing thereon. The Debtors also hereby grants to the Agent a power of attorney to execute any such financing statement, or amendments and supplements to financing statements, on behalf of the Debtors without notice thereof to the respective Debtor, which power of attorney is coupled with an interest and is irrevocable until the Secured Obligations have been fully satisfied and this Agreement terminated.

ARTICLE 5
MISCELLANEOUS

Section 5.1 Course of Dealing; Amendment. No course of dealing between the Debtors, individually or collectively, and the Agent shall be effective to amend, modify or change any provision of this Agreement and this Agreement may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Agent (at the direction of the requisite Purchasers, as required by the Purchase Agreement) and the Debtors. The Agent shall have the right at all times, subject to the rights of the Purchasers under the Purchase Agreement and subject to the Intercreditor Agreement, to enforce the provisions of this Agreement in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of the Agent in refraining from so doing at any time or times. The failure or delay of the Agent at any time or times to enforce the rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Agreement or as having in any way or manner modified or waived the same.

Section 5.2 Waiver, Cumulative Remedies. Subject to the rights of the Purchasers under the Purchase Agreement and subject to the Intercreditor Agreement, and the Debtors under

the Security Documents, the Agent (acting at the direction of the Required Holders) may, on behalf of the Purchasers:

(a) at any time and from time to time, execute and deliver to the Debtors a written instrument waiving, on such terms and conditions as the Agent may specify in such written instrument, any of the requirements of this Agreement or any Event of Default hereunder and its consequences, provided, that any such waiver shall be for such period and subject and limited to such conditions as shall be specified in any such instrument and to the instance for which the waiver is given. In the case of any such waiver, the Debtors and the Agent shall be restored to their former positions prior to such Event of Default and shall have the same rights as they had hereunder. The rights, powers and remedies provided in this Agreement are cumulative, may be exercised concurrently or separately, may be exercised from time to time and in such order as the Agent shall determine, and are in addition to, and not exclusive of, rights, powers and remedies provided by applicable Laws;

(b) proceed against any of the Collateral without proceeding against the Debtors or other Person obligated under any of the Secured Obligations;

(c) without reducing or impairing the Secured Obligations of the Debtors and without notice, release or compromise with any guarantor or other Person liable for all or any part of the Secured Obligations;

(d) without reducing or impairing the Secured Obligations of the Debtors and without notice thereof: (i) fail to perfect the Lien in any or all Collateral or to release any or all the Collateral or to accept substitute Collateral, (ii) allow all or any of the Secured Obligations to arise after the date of this Agreement, (iii) waive any provision of this Agreement, (iv) exercise or fail to exercise rights of set-off or other rights, (v) accept partial payments or extend from time to time the maturity of all or any part of the Secured Obligations, and (vi) take or fail to take any action under this Agreement or against any one or more Persons obligated under the Secured Obligations.

The Debtors hereby waive and release all claims and defenses against the Agent and the Purchasers and/or with respect to the payment of or the enforcement of the Secured Obligations and the Agent's rights in the Collateral on account of

any of the foregoing, except as to the Agent's and the Purchasers' gross negligence or willful misconduct.

Section 5.3 Management and Administration by Agent. The Agent shall not have any duty to the Debtors to pay for insurance, taxes, or other charges incurred in the custody, preservation, use or operation of, or in connection with the management of, any Collateral on which a Lien is granted in connection with this Agreement; provided, however, that the Agent may (in its sole discretion) pay such expenses. All such payments shall be part of the Secured Obligations and shall bear interest payable on demand by the respective Debtor from the date of any demand therefor until paid in full at the Default Rate.

Section 5.4 Waiver of Jury Trial; Consent to Jurisdiction. EACH OF THE DEBTORS (A) AND EACH OF THE PURCHASERS AND THE AGENT IRREVOCABLY WAIVES, TO

THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER TRANSACTION DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (B) SUBMITS TO THE NONEXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF GEORGIA, THE COURTS THEREOF AND THE UNITED STATES DISTRICT COURTS SITTING THEREIN, FOR THE ENFORCEMENT OF THIS AGREEMENT, THE NOTES AND THE OTHER TRANSACTION DOCUMENTS, (C) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAW OF ANY JURISDICTION TO OBJECT ON ANY BASIS (INCLUDING, WITHOUT LIMITATION, INCONVENIENCE OF FORUM) TO JURISDICTION OR VENUE WITHIN THE STATE OF GEORGIA FOR THE PURPOSE OF LITIGATION TO ENFORCE THIS AGREEMENT, THE NOTES OR THE OTHER TRANSACTION DOCUMENTS, AND (D) AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN THE MANNER PRESCRIBED IN SECTION 10.01 OF THE PURCHASE AGREEMENT FOR THE GIVING OF NOTICE TO THE DEBTORS. NOTHING HEREIN CONTAINED, HOWEVER, SHALL PREVENT THE AGENT FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY AND AGAINST THE DEBTORS PERSONALLY, AND AGAINST ANY ASSETS OF THE DEBTORS, WITHIN ANY OTHER STATE OR JURISDICTION.

Section 5.5 Severability. In case any one or more of the provisions contained in this Agreement, the Notes or any of the other Transaction Documents should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby and shall be enforced to the greatest extent permitted by law.

Section 5.6 Assignment, Etc. The Agent shall have the right to divulge to any actual or potential purchaser, assignee, transferee or participant of the Collateral and/or the Secured Obligations, or any part thereof all information, reports, financial statements and documents obtained in connection with this Agreement or otherwise. Notwithstanding anything contained herein, any confidentiality restriction agreed to by any person shall continue to be binding upon such Person.

Section 5.7 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Debtors, individually and collectively, and the Agent and their respective successors and assigns, except that the Debtors shall not have the right to assign their rights or obligations hereunder or any interest herein without the prior written consent of the Agent.

Section 5.8 APPLICABLE LAW. THE DEBTORS, INDIVIDUALLY AND COLLECTIVELY, AND THE AGENT ACKNOWLEDGE AND AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA.

Section 5.9 Definitional Provisions. Unless otherwise defined herein, as used in this Agreement and in any certificate, report or other document made or delivered pursuant hereto, accounting terms not otherwise defined herein, and accounting terms only partly defined herein, to the extent not defined, shall have the respective meanings given to them under generally accepted United States accounting principles consistently applied to the Debtors. Unless

otherwise defined herein, all terms used herein which are defined by the UCC shall have the same meanings as assigned to them by such adoption of the UCC unless and to the extent varied by this Agreement. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, subsection, schedule and exhibit references are references to articles, sections or subsections of, or schedules or exhibits to, as the case may be, this Agreement unless otherwise specified. The captions, headings and titles to this Agreement and its sections, subsections and other parts are only for the convenience of the parties and are not part of this Agreement. As used herein, the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require. Reference to this Agreement or to any one or more of the instruments, agreements or documents previously, simultaneously or hereafter executed and delivered by the Debtors, any guarantor and/or any other Person, singly or jointly with another Person or Persons, evidencing, securing, guarantying or otherwise in connection with any of the Secured Obligations and/or in connection with this Agreement shall mean the same as the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified.

Section 5.10 Continuing Enforcement of the Transaction Documents. If, after receipt of any payment of all or any part of the Secured Obligations of the Debtors to the Agent or any of the Purchasers, the Agent is or any such Purchasers are compelled or agree, for settlement purposes, to surrender such payment to any person or entity for any reason, then this Agreement and the other Security Documents shall continue in full force and effect or be reinstated, as the case may be. The provisions of this SECTION 5.10 shall survive the termination of this Agreement and the other Security Documents and shall be and remain effective notwithstanding the payment and/or performance of the Secured Obligations, the cancellation of any other Security Documents, the release of any security interest, lien or encumbrance securing the Secured Obligations or any other action which the Agent or any of the Purchasers may have taken in reliance upon its receipt of such payment.

Section 5.11 Subordination to Senior Debt Documents. This Agreement and the liens and security interests created hereby are subject and subordinate to the Senior Debt Documents in accordance with and to the extent set forth in the Intercreditor Agreement.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, each of the Debtors has executed and delivered this Agreement, under seal, as of the day and year first written above.

"DEBTORS"

CROWN CRAFTS, INC. (SEAL)

By:

Name:
Title:

CHURCHILL WEAVERS, INC. (SEAL)

By:

Name:
Title:

HAMCO, INC. (SEAL)

By:

Name:
Title:

CROWN CRAFTS INFANT PRODUCTS, INC. (SEAL)

By:

Name:
Title:

ACCEPTED AND AGREED TO AS OF THE DATE FIRST WRITTEN ABOVE:

WACHOVIA BANK, N.A., (SEAL)
as Agent for the
Purchasers

By:

Name:
Title:

EXHIBIT 10.16

MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT

THIS INSTRUMENT (this "Instrument") is made and entered into this 23rd day of July, 2001, by and between CHURCHILL WEAVERS, INC., a Kentucky corporation, having a mailing address of 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328 ("Obligor"), and WACHOVIA BANK, N.A. ("Wachovia"), having a mailing address of 191 Peachtree Street, 30th Floor, Atlanta, Fulton County, Georgia 30303, as agent (together with its successors and assigns, as "Collateral Agent" under the Intercreditor Agreement, as defined herein), for itself, Bank of America, N.A. ("Bank of America"), having a mailing address of Independence Center, 15th Floor, NCI 001-15-04, Charlotte, Mecklenburg County, North Carolina 28255, The Prudential Insurance Company of America ("Prudential"), having a mailing address of Prudential Capital Group, Two Ravinia Drive, Suite 1400, Atlanta, Fulton County, Georgia 30346, and any other "Purchasers" who may become a party (collectively, the "Purchasers") to that certain Subordinated Note and Warrant Purchase Agreement by and among Crown Crafts, Inc., a Georgia corporation ("Crown Crafts"), Collateral Agent and the Purchasers dated as of the date hereof (as amended or otherwise modified from time to time, the "Purchase Agreement"; capitalized terms used herein without definition have the meanings set forth in the Purchase Agreement).

WITNESSETH:

WHEREAS, Crown Crafts has requested that each Purchaser make a subordinated debt investment in Crown Crafts;

WHEREAS, the Purchasers have each agreed to make a subordinated debt investment in Crown Crafts on the terms and subject to the conditions set forth in the Purchase Agreement;

WHEREAS, the Purchasers and Wachovia, as Collateral Agent, have entered into that certain Intercreditor Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Intercreditor Agreement"), pursuant to which Wachovia is appointed as Collateral Agent for the Purchasers;

WHEREAS, Obligor, as a subsidiary of the Crown Crafts, has agreed to guarantee to the Purchasers the performance of the Obligations (as defined in the Purchase Agreement) of Crown Crafts in accordance with the terms of this Instrument;

WHEREAS, in order to secure the performance of such guaranty, Obligor has agreed to grant, bargain, sell, convey, assign, transfer and set over unto Collateral Agent, for the ratable

benefit of the Purchasers and their successors and assigns, certain property owned by Obligor; and

WHEREAS, Obligor will materially benefit from the loans and advances made and to be made to Crown Crafts under the Purchase Agreement, and Obligor is willing to enter into this Instrument to provide an inducement for the Purchasers to make loans and advances thereunder.

NOW, THEREFORE, in order to induce the Purchasers to make and continue loans and advances to Crown Crafts under the Purchase Agreement, in consideration of and as security for the debt hereinafter described, in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and in order to secure the indebtedness and the obligations of Obligor hereinafter set forth, Obligor does hereby irrevocably grant, bargain, sell, convey, assign, transfer and set over unto Collateral Agent, for the ratable benefit of Purchasers and their successors and assigns, all of the following described land

and interests in land, estates, easements, rights, improvements, property, fixtures, equipment, furniture, furnishings, appliances and appurtenances (collectively, the "Property"):

(a) All those tracts or parcels of land and easements more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (the "Land").

(b) All buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and all gas and electric fixtures, radiators, heaters, engines and machinery, boilers, ranges, elevators and motors, plumbing and heating fixtures, carpeting and other floor coverings, fire extinguishers and any other safety equipment required by governmental regulation or law, washers, dryers, water heaters, mirrors, mantels, air conditioning apparatus, refrigerating plants, refrigerators, cooking apparatus and appurtenances, window screens, awnings and storm sashes, which are or shall be owned by Obligor and attached to said buildings, structures or improvements and all other furnishings, furniture, fixtures, machinery, equipment, appliances, vehicles, building supplies and materials, books and records, chattels, inventory, accounts, farm products, consumer goods, general intangibles and personal property of every kind and nature whatsoever now or hereafter owned by Obligor and located in, on or about, or used or intended to be used with or in connection with the use, operation or enjoyment of the Property, including all extensions, additions, improvements, betterments, after-acquired property, renewals, replacements and substitutions, or proceeds from a permitted sale of any of the foregoing, and all the right, title and interest of Obligor in any such furnishings, furniture, fixtures, machinery, equipment, appliances, vehicles and personal property subject to or covered by any prior security agreement, conditional sales contract, chattel mortgage or similar lien or claim, together with the benefit of any deposits or payments now or hereafter made by Obligor or on behalf of Obligor, all of which are hereby declared and shall be deemed to be fixtures and accessions to the Land and a part of the Property as between the parties hereto and all persons claiming by, through or under them, and which shall be deemed to be a portion of the security for the indebtedness herein described and to be secured by this Instrument.

(c) All easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, minerals, flowers, shrubs, crops, trees, timber and other emblements now or hereafter located on the Land or under or

above the same or any part or parcel thereof, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances, reversion and reversions, remainder and remainders, whatsoever, in any way belonging, relating or appertaining to the Land or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Obligor.

(d) All income, rents, issues, profits and revenues of the Property from time to time accruing (including, without limitation, all payments under leases or tenancies, proceeds of insurance, condemnation payments, tenant security deposits whether held by Obligor or in a trust account, and escrow funds), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of Obligor of, in and to the same; reserving only the right to Obligor to collect the same (other than insurance proceeds and condemnation payments) so long as Obligor is not in default hereunder.

(e) All other "Collateral" (as defined in that certain Security Agreement dated as of the date hereof by and among Crown Crafts, Hamco, Inc., Crown Crafts Infant Products, Inc, Obligor, Collateral Agent and the Purchasers (the "Security Agreement")).

TO HAVE AND TO HOLD the Property and all parts, rights, members and appurtenances thereof, to the use, benefit and behoof of Collateral Agent for the ratable benefit of the Purchasers and their successors and assigns, IN FEE SIMPLE forever; and Obligor covenants that Obligor is lawfully seized and possessed of the Property as aforesaid, and has good right to convey the same, that the same is unencumbered except for those matters expressly set forth in Exhibit "B" attached hereto and by this reference made a part hereof, and that

Obligor does warrant and will forever defend the title thereto against the claims of all persons whomsoever, except as to those matters set forth in said Exhibit "B" attached hereto.

This Instrument is given to secure the following described indebtedness (collectively, the "Indebtedness"):

(a) Obligor's obligations under the Guaranty (as hereinafter set forth in Section 1.01 hereof) of even date herewith in the amount of up to FIFTY MILLION AND NO/100 DOLLARS ($50,000,000.00) and having a maturity date of JULY 30, 2021, arising from the Purchase Agreement, including, without limitation, the debt and interest thereon evidenced by the Notes, including: (i) those certain promissory notes (the "Wachovia Notes") made by Crown Crafts payable to the order of Wachovia Bank, N.A., described as follows: (1) that certain $7,322,720.00 Subordinated Note dated July 23, 2001 and due on or before July 30, 2007, and (2) that certain Subordinated PIK Note(s); (ii) those certain promissory notes (the "Bank of America Notes") made by Crown Crafts payable to the order of Bank of America, N.A., described as follows: (1) that certain $3,171,360.00 Subordinated Note dated July 23, 2001 and due on or before July 30, 2007, and (2) that certain Subordinated PIK Note(s); and (iii) those certain promissory notes (the "Prudential Notes") made by Crown Crafts payable to the order of The Prudential Insurance Company of America, , described as follows: (1) that certain $5,505,920.00 Subordinated Note dated July 23, 2001 and due on or before July 30, 2007, and (2) that certain Subordinated PIK Note(s). The Wachovia Notes, the Bank of America Notes and the Prudential Notes, as any of them may be amended or otherwise modified from time to time, are herein collectively referred to as the "Note".

(b) Any and all additional advances made by any Purchaser to protect or preserve the Property or the lien and security title hereof in and to the Property, or for taxes, assessments or insurance premiums as hereinafter provided (whether or not the Obligor remains the owner of the Property at the time of such advances).

Should the Indebtedness secured by this Instrument be paid according to the tenor and effect thereof when the same shall become due and payable, and should Obligor perform all covenants herein contained in a timely manner, then this Instrument shall be cancelled and surrendered.

Obligor hereby further covenants and agrees with Collateral Agent as follows:

ARTICLE 1

Section 1.01 Guaranty.

(a) Obligor hereby unconditionally, absolutely, continually and irrevocably guarantees to the Purchasers the payment and performance in full of the Obligations (the "Guaranty"). Obligor's obligations to the Purchasers under the Guaranty are hereinafter referred to as the "Obligor's Obligations". Notwithstanding the foregoing, the liability of Obligor with respect to the Obligations shall be limited to an aggregate amount equal to the largest amount that would not render its obligations under the Guaranty subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law. Obligor agrees that it is directly and primarily liable for the Obligations.

(b) If Crown Crafts shall default in payment or performance of any of the Obligations, whether principal, interest, premium, fee (including, but not limited to, loan fees and attorneys' fees and expenses), or otherwise, when and as the same shall become due, whether according to the terms of the Security Agreement, by acceleration, or otherwise, or upon the occurrence of any other Event of Default under the Security Agreement that has not been cured or waived, then Obligor, upon demand thereof by Collateral Agent or its successors or assigns, will AS OF THE DATE OF SUCH COLLATERAL AGENT'S DEMAND fully pay to Collateral Agent, subject to any restriction set forth in Paragraph 1.01(a) hereof, an amount equal to all Obligor's Obligations then due and owing.

(c) The Guaranty is a guaranty of payment and not of collection. The Obligor's Obligations under the Guaranty shall be absolute and unconditional

irrespective of the validity, legality or enforceability of the Security Agreement, the Note or any other Transaction Documents or any other guaranty of the Obligations, and shall not be affected by any action taken under the Security Agreement, the Note or any other Loan Document, any other guaranty of the Obligations, or any other agreement between Collateral Agent, the Purchasers and Crown Crafts or any other person, in the exercise of any right or power therein conferred, or by any failure or omission to enforce any right conferred thereby, or by any waiver of any covenant or condition therein provided, or by any acceleration of the maturity of any of the Obligations, or by the release or other disposal of any security for any of the Obligations, or by the dissolution of Crown Crafts or the combination or consolidation of Crown Crafts into or with another entity or any transfer or disposition of any assets of Crown Crafts, or by any extension or renewal of, or

increase of the amounts available or advanced under, the Security Agreement, the Note or any other Loan Document, in whole or in part, or by any modification, alteration, amendment or addition of or to the Security Agreement, the Note or any other Loan Document, any other guaranty of the Obligations, or any other agreement between Collateral Agent, the Purchasers and Crown Crafts or any other person or entity, or by any other circumstance whatsoever (with or without notice to or knowledge of Obligor) which may or might in any manner or to any extent vary the obligations of Obligor, or might otherwise constitute a legal or equitable discharge of a surety or guarantor; it being the purpose and intent of the parties hereto that the Guaranty and the Obligor's Obligations under the Guaranty shall be absolute and unconditional under any and all circumstances and shall not be discharged except by payment as herein provided.

(d) Obligor hereby covenants and agrees that the Obligor's Obligations will be paid in full as herein provided in lawful currency of the United States of America and in immediately available funds, regardless of any law, regulation or decree now or hereafter in effect that might in any manner affect the Obligations or the Obligor's Obligations, or the rights of the Purchasers with respect thereto as against Crown Crafts or Obligor, or cause or permit to be invoked any alteration in the time, amount or manner of payment by Obligor of any or all of Crown Crafts of any or all of the Obligations or the Obligor's Obligations.

(e) In the event that (i) Obligor shall file a petition to take advantage of any insolvency statute; (ii) Obligor shall commence or suffer to exist a proceeding for the appointment of a receiver, trustee, liquidator or conservator of itself or of the whole or substantially all of its property; (iii) Obligor shall file a petition or answer seeking reorganization or arrangement or similar relief under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state or similar law of any other country; (iv) a court of competent jurisdiction shall enter an order, judgment or decree appointing a custodian, receiver, trustee, liquidator or conservator of Obligor or of the whole or substantially all of its properties, or approve a petition filed against Obligor seeking reorganization or arrangement or similar relief under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state or similar law of any other country, or if, under the provisions of any other law for the relief or aid of debtors, a court of competent jurisdiction shall assume custody or control of Obligor or of the whole or substantially all of its properties and such order, judgment, decree, approval or assumption remains unstayed or undismissed for a period of sixty (60) days; (e) there is commenced against Obligor any proceeding or petition seeking reorganization, arrangement or similar relief under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state, which proceeding or petition remains unstayed or undismissed for a period of thirty (30) days; (f) there shall occur an Event of Default under the Security Agreement; (g) any default shall occur in the payment of amounts due under the Guaranty; or (h) any other default shall occur under the Guaranty which remains uncured or unwaived for a period of thirty (30) days (each of the foregoing being an "Guaranty Default" under the Guaranty); then notwithstanding any collateral that Collateral Agent or the Purchasers may possess from Crown Crafts or Obligor or any other guarantor of the Obligations, or any other party, at Collateral Agent's election and without notice thereof or demand therefor, the Obligor's Obligations shall immediately become due and payable.

(f) Obligor from time to time shall pay to a Collateral Agent, on demand, at Collateral Agent's place of business set forth in the Security Agreement, the Obligor's Obligations as they become or are declared due, and in the event such payment is not made when due, Collateral Agent may proceed to suit against the Obligor. At Collateral Agent's election, one or more and successive or concurrent suits may be brought hereon by Collateral Agent against the Obligor, whether or not suit has been commenced against Crown Crafts, any other guarantor of the Obligations, or any other person or entity and whether or not Collateral Agent has taken or failed to take any other action to collect all or any portion of the Obligations.

(g) Obligor waives any right to assert against Collateral Agent or the Purchasers as a defense, counterclaim, set-off or cross claim, any defense (legal or equitable) or other claim which Obligor may now or at any time hereafter have against Crown Crafts, Collateral Agent or the Purchasers, without waiving any additional defenses, set-offs, counterclaims or other claims otherwise available to Obligor. If at any time hereafter Collateral Agent or the Purchasers employ counsel for advice or other representation to enforce the Obligor's Obligations that arise out of an Guaranty Default, then, in any of the foregoing events, all of the attorneys' fees arising from such services and all expenses, costs and charges in any way or respect arising in connection therewith or relating thereto shall be paid by Obligor to Collateral Agent on demand and shall constitute part of the Obligor's Obligations under the Guaranty.

(h) Obligor hereby waives notice of the following events or occurrences: (i) Collateral Agent's or the Purchasers' acceptance of the Guaranty; (ii) the Purchasers' heretofore, now or from time to time hereafter loaning monies or giving or extending credit to or for the benefit of Crown Crafts, whether pursuant to the Security Agreement, the Note or any amendments, modifications, or supplements thereto, or replacements or extensions thereof; (iii) the Purchasers or Crown Crafts heretofore, now or at any time hereafter, obtaining, amending, substituting for, releasing, waiving or modifying the Security Agreement, the Note or any other Transaction Documents; (iv) presentment, demand, notices of default, non-payment, partial payment and protest; (v) the Purchasers heretofore, now or at any time hereafter granting to Crown Crafts (or any other party liable to the Purchasers on account of the Obligations) any indulgence or extensions of time of payment of the Obligations; and (vi) the Purchasers heretofore, now or at any time hereafter accepting from Crown Crafts or any other person, any partial payment or payments on account of the Obligations or any collateral securing the payment thereof or the Purchasers settling, subordinating, compromising, discharging or releasing the same. Obligor agrees that the Purchasers may heretofore, now or at any time hereafter do any or all of the foregoing in such manner, upon such terms and at such times as the Purchasers, in their sole and absolute discretion, deems advisable, without in any way or respect impairing, affecting, reducing or releasing Obligor from the Obligor's Obligations, and Obligor hereby consents to each and all of the foregoing events or occurrences.

(i) Obligor hereby agrees that payment or performance by Obligor of the Obligor's Obligations under the Guaranty may be enforced by Collateral Agent upon demand by Collateral Agent to Obligor without Collateral Agent being required, Obligor expressly waiving any right it may have to require Collateral Agent, to (i) prosecute collection or seek to enforce or resort to any remedies against Crown Crafts or any other guarantor of the Obligations, IT BEING EXPRESSLY UNDERSTOOD, ACKNOWLEDGED AND AGREED TO BY

OBLIGOR THAT DEMAND UNDER THE GUARANTY MAY BE MADE BY COLLATERAL AGENT, AND THE PROVISIONS HEREOF ENFORCED BY COLLATERAL AGENT, EFFECTIVE AS OF THE FIRST DATE ANY GUARANTY DEFAULT OCCURS AND IS CONTINUING UNDER THE SECURITY AGREEMENT, or (ii) seek to enforce or resort to any remedies with respect to any security interests, liens or encumbrances granted to Collateral Agent or Purchasers by Crown Crafts or any other person or entity on account of the Obligations or any guaranty thereof. Neither Collateral Agent nor the Purchasers shall have any obligation to protect, secure or insure any of the foregoing security interests, liens or encumbrances on the properties or interests in properties subject thereto. The Obligor's Obligations shall in no way be impaired, affected, reduced, or released by reason of Collateral Agent's or the Purchasers' failure

or delay to do or take any of the acts, actions or things described in the Guaranty including, without limiting the generality of the foregoing, those acts, actions and things described herein.

(j) Obligor further agrees that to the extent the ruling in Levit v. Ingersoll Rand Financial Corp. (In re V.N. Deprizio Construction Co.), 874 F.2d 1186 (7th Cir. 1989), is found applicable by a court of competent jurisdiction to the transactions contemplated by the Transaction Documents or any payments thereunder, Obligor shall not have any right of subrogation, reimbursement or indemnity, nor any right of recourse to security for the Obligations. This waiver is expressly intended to prevent the existence of any claim in respect to such reimbursement by Obligor against the estate of Crown Crafts within the meaning of Section 101 of the Bankruptcy Code, and to prevent Obligor from constituting a creditor of Crown Crafts in respect of such reimbursement within the meaning of Section 547(b) of the Bankruptcy Code in the event of a subsequent case involving Crown Crafts.

(k) The Guaranty shall be effective as of the date hereof and shall continue in full force and effect until the Obligations are fully paid and the Security Agreement has terminated. Collateral Agent shall give Obligor written notice of such termination at Obligor's address set forth in the Security Agreement. The Guaranty shall be binding upon and inure to the benefit of Obligor, the Purchasers, Collateral Agent and their respective successors and assigns. Notwithstanding the foregoing, no Obligor may, without the prior written consent of the Purchasers, assign any rights, powers, duties or obligations under the Guaranty. Any claim or claims that the Purchasers may have at any time hereafter have against Obligor under the Guaranty may be asserted by Collateral Agent by written notice directed to Obligor at the address specified in the Security Agreement.

(l) Obligor represents and warrants to the Purchasers that it is duly authorized to perform the Guaranty, that the Guaranty is legal, valid, binding and enforceable against Obligor in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles; and that Obligor's performance of the Guaranty do not violate or constitute a breach of its certificate of incorporation or other documents of corporate governance or any agreement to which Obligor is a party, or any applicable laws.

(m) Obligor agrees to be liable for the payment of all reasonable fees and expenses, including attorney's fees, incurred by Collateral Agent or the Purchasers in connection with the enforcement of the Guaranty.

(n) Obligor agrees that the Guaranty shall continue to be effective or be reinstated, as the case may be, at any time payment received by the Purchasers under the Security Agreement or the Guaranty is rescinded or must be restored for any reason.

(o) Obligor represents and warrants to the Purchasers that (a) Obligor has adequate means to obtain from Crown Crafts, on a continuing basis, information concerning Crown Crafts and Crown Craft's financial condition and affairs and has full and complete access to Crown Craft's books and records, (b) Obligor is not, nor in the future will it be, relying on Collateral Agent, Purchasers, or their employees, agents or other representatives, to provide such information, (c) Obligor is executing the Guaranty freely and deliberately, and understands the obligations and financial risk undertaken by providing the Guaranty, (d) Obligor has relied solely on the Obligor's own independent investigation, appraisal and analysis of Crown Crafts and Crown Craft's financial condition and affairs in deciding to provide the Guaranty and is fully aware of the same, and (e) Obligor has not depended or relied on Collateral Agent, the Purchasers, their employees, agents or representatives, for any information whatsoever concerning Crown Crafts or Crown Craft's financial condition and affairs or other matters material to Obligor's decision to provide the Guaranty or for any counseling, guidance, or special consideration or any promise therefor with respect to such decision. Obligor agrees that neither Collateral Agent nor the Purchasers have any duty or responsibility whatsoever, now or in the future, to provide to Obligor any information concerning Crown Crafts or Crown Craft's financial condition and affairs, and that, if Obligor receives any such information from Collateral Agent, Purchasers or their

employees, agents or other representatives, Obligor will independently verify the information and will not rely on Collateral Agent, the Purchasers or their employees, agents or other representatives, with respect to such information.

(p) THE GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(q) OBLIGOR HEREBY EXPRESSLY AND IRREVOCABLY AGREES AND CONSENTS THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE GUARANTY AND THE TRANSACTIONS CONTEMPLATED HEREIN MAY BE INSTITUTED IN ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF NEW YORK, STATE OF NEW YORK, UNITED STATES OF AMERICA AND, BY THE EXECUTION AND DELIVERY OF THIS INSTRUMENT, OBLIGOR EXPRESSLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN, OR TO THE EXERCISE OF JURISDICTION OVER IT AND ITS PROPERTY BY, ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING, AND OBLIGOR HEREBY IRREVOCABLY SUBMITS GENERALLY AND UNCONDITIONALLY TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING.

(r) OBLIGOR AGREES THAT SERVICE OF PROCESS MAY BE MADE BY PERSONAL SERVICE OF A COPY OF THE SUMMONS AND COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING, OR BY REGISTERED OR CERTIFIED MAIL (POSTAGE PREPAID) TO THE ADDRESS OF OBLIGOR PROVIDED IN PARAGRAPH 3.05, OR BY ANY OTHER METHOD OF SERVICE PROVIDED FOR UNDER THE APPLICABLE LAWS IN EFFECT IN THE STATE OF NEW YORK.

(s) NOTHING CONTAINED IN PARAGRAPH 1.01(Q) OR 1.01(R) HEREOF SHALL PRECLUDE COLLATERAL AGENT OR THE PURCHASERS FROM BRINGING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE GUARANTY IN THE COURTS OF ANY JURISDICTION WHERE OBLIGOR OR ANY OF OBLIGOR'S PROPERTY OR ASSETS MAY BE FOUND OR LOCATED. TO THE EXTENT PERMITTED BY THE APPLICABLE LAWS OF ANY SUCH JURISDICTION, OBLIGOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT AND EXPRESSLY WAIVES, IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING, OBJECTION TO THE EXERCISE OF JURISDICTION OVER IT AND ITS PROPERTY BY ANY SUCH OTHER COURT OR COURTS WHICH NOW OR HEREAFTER MAY BE AVAILABLE UNDER APPLICABLE LAW.

(t) IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER OR RELATED TO THE GUARANTY OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION THEREWITH, OBLIGOR, COLLATERAL AGENT AND THE PURCHASERS HEREBY AGREE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THAT ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY AND HEREBY IRREVOCABLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PERSON MAY HAVE TO TRIAL BY JURY IN ANY SUCH ACTION, SUIT OR PROCEEDING.

(u) OBLIGOR HEREBY EXPRESSLY WAIVES ANY OBJECTION IT MAY HAVE THAT ANY COURT TO WHOSE JURISDICTION IT HAS SUBMITTED PURSUANT TO THE TERMS HEREOF IS AN INCONVENIENT FORUM.

Section 1.02 Condemnation. If all or any portion of the Property shall be damaged or taken through condemnation (which term when used in this Instrument shall include any damage or taking by any governmental authority or any transfer by private sale in lieu thereof), either temporarily or permanently, then if a Default or Event of Default is in existence, Collateral Agent shall be entitled to receive all compensation, awards and other payments or relief thereof, and Collateral Agent is hereby authorized, at its option, to commence, appear in and prosecute, in its own or in Obligor's name, any action or proceeding relating to any condemnation, and to settle or compromise any claim in connection therewith. All such compensation, awards, damages, claims, rights of action and proceeds and the right thereto are hereby assigned by Obligor to Collateral Agent. After deducting from said condemnation proceeds all of its expenses incurred in the collection and administration of such sums, including attorney's fees,

Collateral Agent may apply the net proceeds or any part thereof, at its option, (a) to the payment of the Indebtedness hereby secured, whether or not due and in accordance with the terms of the Purchase Agreement, (b) to the repair and/or

restoration of the Property or (c) for any other purposes or objects for which Collateral Agent is entitled to advance funds under this Instrument, all without affecting the lien of this Instrument; and any balance of such monies then remaining shall be paid to Obligor. Obligor agrees to execute such further assignment of any compensation, awards, damages, claims, rights of action and proceeds as Collateral Agent may require.

Section 1.03 Care, Use and Management of Property.

(a) Obligor will keep the buildings, roads and walkways, landscaping and all other improvements of any kind now or hereafter erected on the Land or any part thereof in good condition and repair, will not commit or suffer any waste and will not do or suffer to be done anything which will increase the risk of fire or other hazard to the Property or any part thereof.

(b) Obligor will not remove or demolish nor alter the structural character of any building located on the Land without the written consent of Collateral Agent.

(c) If the Property or any part thereof is damaged by fire or any other cause, Obligor will give immediate written notice thereof to Collateral Agent.

(d) Each Purchaser or its representative is hereby authorized to enter upon and inspect the Property at any time during normal business hours.

(e) Obligor will promptly comply with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Property or any part thereof.

(f) If all or any part of the Property shall be damaged by fire or other casualty, Obligor will promptly restore the Property to the equivalent of its original condition; and if a part of the Property shall be damaged through condemnation, Obligor will promptly restore, repair or alter the remaining portions of the Property in a manner satisfactory to the Required Holders. Notwithstanding the foregoing, Obligor shall not be obligated to so restore unless in each instance, Collateral Agent agrees to make available to Obligor (pursuant to a procedure satisfactory to Collateral Agent) any net insurance or condemnation proceeds actually received by Collateral Agent hereunder in connection with such casualty loss or condemnation, to the extent such proceeds are required to defray the expense of such restoration; provided, however, that the insufficiency of any such insurance or condemnation proceeds to defray the entire expense of restoration shall in no way relieve Obligor of its obligation to restore. In the event all or any portion of the Property shall be damaged or destroyed by fire or other casualty or by condemnation, Obligor shall promptly deposit with Collateral Agent a sum equal to the amount by which the estimated cost of the restoration of the Property (as determined by Collateral Agent in its good faith judgment) exceeds the actual net insurance or condemnation proceeds received by Collateral Agent in connection with such damage or destruction.

Section 1.04 Leases and Other Agreements Affecting Property. Obligor will duly and punctually perform all terms, covenants, conditions and agreements binding upon it under any lease or any other agreement of any nature whatsoever which involves or affects the Property or

any part thereof. Obligor will, at the request of Collateral Agent, furnish the Purchasers with executed copies of all leases now or hereafter created upon the Property or any part thereof and all leases now or hereafter entered into will be in form and substance subject to the prior approval of Collateral Agent. Obligor will not, without the express written consent of the Required Holders, modify, surrender or terminate, either orally or in writing, any lease now existing or hereafter created upon the Property or any part thereof, nor will Obligor permit an assignment or a subletting by any tenant without the prior express written consent of Collateral Agent. In order to further secure payment of the Indebtedness and the observance, performance and discharge of Obligor's obligations, Obligor hereby assigns, transfers and sets over under Collateral Agent all of Obligor's right, title and interest in, to and under all leases affecting the Property or any part thereof and in and to all of the rents,

issues, profits, revenues, awards and other benefits now or hereafter arising from the use and enjoyment of the Property or any part thereof; reserving only the right to Obligor to collect the same so long as Obligor is not in default hereunder.

All such leases must be subordinate to the lien of this Instrument unless Collateral Agent otherwise specifies, in which case such specific leases shall be made superior to this Instrument. Collateral Agent shall be entitled to require that certain leases be made superior to this Instrument but that certain provisions of such superior leases be made subject to this Instrument. Collateral Agent shall also be entitled to require, and Obligor shall use its best efforts to obtain, the execution of non-disturbance and attornment agreements from any tenants specified by Collateral Agent. Any form lease hereafter used by Obligor shall be first submitted to and approved by Collateral Agent. Obligor hereby authorizes and directs each present and future tenant of the Property to pay to Collateral Agent all rents and any other sums due Obligor as landlord and to perform for the direct benefit of Collateral Agent any other obligations of such tenant to Obligor as landlord, as if Collateral Agent were the landlord under such tenant's lease, immediately upon receipt of a written demand by Collateral Agent to make such payment or perform such obligation during the existence of a Default or Event of Default. No such demand by Collateral Agent shall constitute or be deemed to constitute any assumption by Collateral Agent of any obligations of the landlord under such tenant's lease. Subject only to compliance by Collateral Agent with the provisions of Paragraph 2.01, no such demand by Collateral Agent shall constitute or be deemed to constitute any wrongful interference by Collateral Agent in the affairs or business relationships for ascertaining whether any such demand by Collateral Agent is authorized or whether a default by Obligor has occurred under this Instrument. Obligor hereby waives any right, claim or action Obligor may now or hereafter have against any such tenant by reason of such tenant's payment to or performance for Collateral Agent as described above, and any such payment to or performance for Collateral Agent shall discharge the obligation of such tenant to make such payment to, or perform such obligation for, Obligor.

Section 1.05 Security Agreement. Insofar as the machinery, apparatus, equipment, fittings, fixtures, building supplies and materials, and articles of personal property either referred to or described in this Instrument, or in any way connected with the use and enjoyment of the Property is concerned, this Instrument is hereby made and declared to be a security agreement, encumbering each and every item of personal property included herein, in compliance with the provisions of the Uniform Commercial Code as enacted in the state wherein the Land is situated. A financing statement or statements reciting this Instrument to be a security agreement, affecting all of said personal property aforementioned, shall be executed by Obligor and Collateral Agent

and appropriately filed. The remedies for any violation of the covenants, terms and conditions of the security agreement herein contained shall be (i) as prescribed herein, or (ii) as prescribed by general law, or (iii) as prescribed by the specific statutory consequences now or hereafter enacted and specified in said Uniform Commercial Code, all at Collateral Agent's sole election. Obligor and Collateral Agent agree that the filing of such financing statement(s) in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing this declaration and hereby stated intention of Obligor and Collateral Agent that everything used in connection with the production of income from the Property and/or adapted for use therein and/or which is described or reflected in this Instrument, is, and at all times and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the real estate irrespective of whether (i) any such item is physically attached to the improvements, (ii) serial numbers are used for the better identification of certain items capable of being thus identified in a recital contained herein, or (iii) any such item is referred to or reflected in any such financing statement(s) so filed at any time. Similarly, the mention in any such financing statement(s) of the rights in and to (1) the proceeds of any fire and/or hazard insurance policy, or (2) any award in eminent domain proceedings for a taking or for loss of value, or (3) Obligor's interest as lessor in any present or future lease or rights to income growing out of the use and/or occupancy of the Property, whether pursuant to lease or otherwise, shall never be construed as in anyway altering any of the rights of Collateral Agent as determined by this Instrument or impugning the priority of Collateral Agent's lien granted hereby or by any other recorded document, but such mention in such

financing statement(s) is declared to be for the protection of Collateral Agent in the event any court shall at any time hold with respect to the foregoing (1), (2) or (3), that notice of Collateral Agent's priority of interest to be effective against a particular class of persons, must be filed in the Uniform Commercial Code records.

Section 1.06 Further Assurances; After-Acquired Property. At any time, and from time to time, upon request by Collateral Agent, Obligor will make, execute and deliver or cause to be made, executed and delivered, to Collateral Agent and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be rerecorded and/or refiled at such time and in such offices and places as shall be deemed desirable by Collateral Agent, any and all such other and further deeds to secure debt, deeds of trust, security agreements, financing statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the opinion of Collateral Agent, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (a) the obligation of Obligor under the Note and under this Instrument and (b) the lien of this Instrument as a first and prior lien upon and security title in and to all of the Property, whether now owned or hereafter acquired by Obligor. Upon any failure by Obligor so to do, Collateral Agent may make, execute, record, file, re-record and/or refile any and all such deeds to secure debt, deeds of trust, security agreements, financing statements, continuation statements, instruments, certificates, and documents for and in the name of Obligor and Obligor hereby irrevocably appoints Collateral Agent the agent and attorney-in-fact of Obligor so to do. The lien hereof will automatically attach, without further act, to all after acquired property attached to and/or used in the operation of the Property or any part thereof.

Section 1.07 Expenses. Obligor will pay or reimburse Collateral Agent, upon demand therefor, for all attorney's fees, costs and expenses incurred by Collateral Agent in any suit, action, legal proceeding or dispute of any kind in which Purchasers or Collateral Agent is made a

party or appears as party plaintiff or defendant, affecting or arising in connection with the Indebtedness secured hereby, this Instrument or the interest created herein, or the Property, including, but not limited to, the exercise of the power of sale contained in this Instrument, any condemnation action involving the Property or any action to protect the security hereof; and any such amounts paid by Purchasers or Collateral Agent shall be added to the Indebtedness secured by the lien of this Instrument.

Section 1.08 Subrogation. Collateral Agent shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid with the proceeds of the Indebtedness secured hereby.

Section 1.09 Limit of Validity. If from any circumstances whatsoever fulfillment of any provision of this Instrument or of the Note, at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Instrument or under the Note that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity. The provisions of this Paragraph 1.09 shall control every other provision of this Instrument and of the Note.

Section 1.10 Use of Property. Obligor shall not be permitted to alter or change the use of the Property or to abandon the Property without the prior written consent of Collateral Agent.

Section 1.11 Conveyance of Property. Obligor hereby acknowledges to Collateral Agent that (a) the identity and expertise of Crown Crafts and Obligor was and continues to be a material circumstance upon which Collateral Agent has relied in connection with, and which constitute valuable consideration to Collateral Agent for, the extending to Crown Crafts of the loan evidenced by the Note, and (b) any change in such identity or expertise could materially impair or jeopardize the security for the payment of the Note granted to Collateral Agent by this Instrument. Obligor therefore covenants and agrees with Collateral Agent, as part of the consideration for the extending to Crown Crafts of the

loan evidenced by the Note, that Obligor shall not convey, transfer, assign, further encumber or pledge any or all of its interest in the Property without the prior written consent of Collateral Agent.

ARTICLE 2

Section 2.01 Events of Default. The terms "Default", "Event of Default" or "Events of Default", wherever used in this Instrument, shall have the meaning provided for in the Purchase Agreement and shall include the failure of Borrower to perform any of its obligations under this Instrument; provided, however, immediately upon the occurrence of an Event of Default, and without regard to any time periods or opportunities to cure described in the Transaction Documents, Collateral Agent may make written demand upon any and all tenants of the Property to pay to Collateral Agent all rents and other sums and to perform for the direct benefit of Collateral Agent all obligations of such tenants, as provided in Paragraph 1.04.

Section 2.02 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then the entire Indebtedness secured hereby shall, as permitted by the terms of the Transaction Documents, immediately become due and payable without notice or demand, time being of the essence of this Instrument.

Section 2.03 Right to Enter and Take Possession.

(a) If an Event of Default shall have occurred and be continuing, Obligor upon demand of Collateral Agent, shall forthwith surrender to Collateral Agent the actual possession of the Property and if, and to the extent, permitted by law, Collateral Agent itself, or by such officers or agents as it may appoint, may enter and take possession of all the Property without the appointment of a receiver, or an application therefor, and may exclude Obligor and its agents and employees wholly therefrom, and may have joint access with Obligor to the books, papers and accounts of Obligor.

(b) If Obligor shall for any reason fail to surrender or deliver the Property or any part thereof after such demand by Collateral Agent, Collateral Agent may obtain a judgment or decree conferring upon Collateral Agent the right to immediate possession or requiring Obligor to deliver immediate possession of the Property to Collateral Agent. Obligor will pay to Collateral Agent, upon demand, all expenses of obtaining such judgment or decree, including reasonable compensation to Collateral Agent, its attorneys and agents; and all such expenses and compensation shall, until paid, be secured by the lien of this Instrument.

(c) Upon every such entering upon or taking of possession, Collateral Agent may hold, store, use, operate, manage and control the Property and conduct the business thereof, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property; (ii) insure or keep the Property insured; (iii) manage and operate the Property and exercise all the rights and powers of Obligor to the same extent as Obligor could in its own name or otherwise with respect to the same; and (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted Collateral Agent, all as Collateral Agent from time to time may determine to be in its best interest. Collateral Agent may collect and receive all the rents, issues, profits and revenues from the Property, including those past due as well as those accruing thereafter, and, after deducting (1) all expenses of taking, holding, managing and operating the Property (including compensation for the services of all persons employed for such purposes); (2) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases and acquisitions; (3) the cost of such insurance; (4) such taxes, assessments and other similar charges as Collateral Agent may at its option pay; (5) other proper charges upon the Property or any part thereof; and (6) the reasonable compensation, expenses and disbursements of the attorneys and agents of Collateral Agent, Collateral Agent shall apply the remainder of the monies and proceeds so received by Collateral Agent, first to the payment of accrued interest; second to the payment of deposits (as may be required in Paragraph 1.04); and third to the payment of overdue installments of principal. Collateral Agent shall have no obligation to discharge any duties of

a landlord to any tenant or to incur any liability as a result of any exercise by Collateral Agent of any rights under this Instrument or otherwise. Collateral Agent shall not be liable for any failure to collect rents, issues, profits and revenues from the

Property, nor shall Collateral Agent be liable to account for any such rents, issues, profits or revenues unless actually received by Collateral Agent.

(d) Whenever all that is due upon the Indebtedness and under any of the terms, covenants, conditions and agreements of this Instrument, shall have been paid and all Events of Default made good, Collateral Agent shall surrender possession of the Property to Obligor, its successors or assigns. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing.

Section 2.04 Performance by Collateral Agent. If Obligor shall Default in the payment, performance or observance of any term, covenant or condition of this Instrument, Collateral Agent may, so long as such Default continues, at its option, pay, perform or observe the same, and all payments made or costs or expenses incurred by Collateral Agent in connection therewith, shall be secured hereby and shall be, upon demand, immediately repaid by Obligor to Collateral Agent with interest thereon at the default rate provided in the Security Agreement. Collateral Agent shall be the sole judge of the necessity for any such actions and of the amounts to be paid. Collateral Agent is hereby empowered to enter and to authorize others to enter upon the Land or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to Obligor or any person in possession holding under Obligor.

Section 2.05 Receiver. If an Event of Default shall have occurred and be continuing, Collateral Agent, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right without notice and without regard to the occupancy or value of any security for the Indebtedness secured hereby or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Property and to collect and apply the rents, issues, profits and revenues thereof. The receiver shall have all of the rights and powers permitted under the laws of the State of Kentucky. Obligor will pay to Collateral Agent upon demand all expenses, including receiver's fees, attorney's fees, costs and agent's compensation, incurred pursuant to the provisions of this Paragraph 2.05; and all such expenses shall be secured by this Instrument.

Section 2.06 Foreclosure. If an Event of Default shall have occurred and be continuing, Collateral Agent may either with or without entry or taking possession as herein provided or otherwise, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy (i) to enforce payment of the Indebtedness or the performance of any term, covenant, condition or agreement of this Instrument or any other right, and (ii) to pursue any other remedy available to it, as Collateral Agent shall determine most effectual for such purposes.

Section 2.07 Application of Proceeds of Sale. In the event of a foreclosure sale of the Property, the proceeds of said sale shall be applied as provided in the Purchase Agreement.

Section 2.08 Purchase by Collateral Agent. Upon any foreclosure sale, Collateral Agent, on behalf of the Purchasers, may bid for and purchase the Property and shall be entitled to apply all or any part of the Indebtedness secured hereby as a credit to the purchase price.

Section 2.09 Application of Proceeds of Sale. In the event of a foreclosure sale of the Property, the proceeds of said sale shall be applied as provided in the Purchase Agreement.

Section 2.10 Obligor as Tenant Holding Over. In the event of any such foreclosure sale by Collateral Agent, Obligor shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at

such sale or be summarily dispossessed according to provisions of law applicable to tenants holding over.

Section 2.11 Waiver of Appraisement, Valuation, Stay, Extension and Redemption Laws. Obligor agrees to the full extent permitted by law, that in case of a Default or Event of Default on the part of Obligor hereunder, neither Obligor nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension, homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Instrument, or the absolute sale of the Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Obligor, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

Section 2.12 Waiver of Homestead. Obligor hereby waives and renounces all homestead and exemption rights provided for by the Constitution and the laws of the United States and of any state, in and to the Property as against the collection of the Indebtedness, or any part hereof.

Section 2.13 Leases. Collateral Agent, at its option, is authorized to foreclose this Instrument subject to the rights of any tenants of the Property, and the failure to make any such tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Obligor, a defense to any proceedings instituted by Collateral Agent to collect the sums secured hereby.

Section 2.14 Discontinuance of Proceedings and Restoration of the Parties. In case Collateral Agent shall have proceeded to enforce any right, power or remedy under this Instrument by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Collateral Agent, then and in every such case Obligor and Collateral Agent shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Collateral Agent shall continue as if no such proceeding had been taken.

Section 2.15 Remedies Cumulative. No right, power or remedy conferred upon or reserved to Collateral Agent by this Instrument is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 2.16 Waiver.

(a) No delay or omission of Collateral Agent or of any Purchaser to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such Default, or acquiescence therein; and every right, power and remedy given by this Instrument to Collateral Agent may be exercised from time to time and as often as may be deemed expedient by Collateral Agent. No consent or waiver, expressed or implied, by Collateral Agent to or of any breach or Default by Obligor in the performance of the obligations thereof hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or Default in the performance of the same or any other obligations of Obligor hereunder. Failure on the part of Purchasers to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by any Purchaser of its rights hereunder or impair any rights, powers or remedies consequent on any breach or Default by Obligor.

(b) If Purchasers (i) grant forbearance or an extension of time for the payment of any sums secured hereby; (ii) take other or additional security for the payment of any sums secured hereby; (iii) waive or do not exercise any right granted herein or in the Note; (iv) release any part of the Property from the lien of this Instrument or otherwise changes any of the terms, covenants, conditions or agreements of the Note or this Instrument; (v) consent to the filing of any map, plat or replat affecting the Property; (vi)

consent to the granting of any easement or other right affecting the Property; or (vii) make or consent to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under the Note, this Instrument or any other obligation of Obligor or any subsequent purchaser of the Property or any part thereof, or any maker, co-signer, endorser, surety or guarantor; nor shall any such act or omission preclude Collateral Agent from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default; nor, except as otherwise expressly provided in an instrument or instruments executed by Collateral Agent, shall the lien of this Instrument be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, Collateral Agent, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Property or the Indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings.

Section 2.17 Suits to Protect the Property. Collateral Agent shall have power (a) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Property by any acts which may be unlawful or in violation of this Instrument, (b) to preserve or protect its interest in the Property and in the rents, issues, profits and revenues arising therefrom, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interest of Purchasers.

Section 2.18 Collateral Agent May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or

other proceedings affecting Obligor, its creditors or its property, Collateral Agent, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Collateral Agent allowed in such proceedings for the entire amount due and payable by Obligor under this Instrument at the date of the institution of such proceedings and for any additional amount which may become due and payable by Obligor hereunder after such date.

Section 2.19 WAIVER OF OBLIGOR'S RIGHTS. BY EXECUTION OF THIS INSTRUMENT AND BY INITIALING THIS PARAGRAPH 2.19, OBLIGOR EXPRESSLY: (A) ACKNOWLEDGES THE RIGHT TO ACCELERATE THE INDEBTEDNESS; (B) WAIVES ANY AND ALL RIGHTS WHICH OBLIGOR MAY HAVE UNDER THE CONSTITUTION OF THE UNITED STATES (INCLUDING, WITHOUT LIMITATION, THE FIFTH AND FOURTEENTH AMENDMENTS THEREOF), THE VARIOUS PROVISIONS OF THE CONSTITUTIONS FOR THE SEVERAL STATES, OR BY REASON OF ANY OTHER APPLICABLE LAW, TO NOTICE AND TO JUDICIAL HEARING PRIOR TO THE EXERCISE BY COLLATERAL AGENT OF ANY RIGHT OR REMEDY HEREIN PROVIDED TO COLLATERAL AGENT, EXCEPT SUCH NOTICE (IF ANY) AS IS SPECIFICALLY REQUIRED TO BE PROVIDED IN THIS INSTRUMENT; (C) ACKNOWLEDGES THAT OBLIGOR HAS READ THIS INSTRUMENT AND ANY AND ALL QUESTIONS REGARDING THE LEGAL EFFECT OF THIS INSTRUMENT AND ITS PROVISIONS HAVE BEEN EXPLAINED FULLY TO OBLIGOR AND OBLIGOR HAS CONSULTED WITH COUNSEL OF OBLIGOR'S CHOICE PRIOR TO EXECUTING THIS INSTRUMENT; AND (D) ACKNOWLEDGES THAT ALL WAIVERS OF THE AFORESAID RIGHTS OF OBLIGOR HAVE BEEN MADE KNOWINGLY, INTENTIONALLY AND WILLINGLY BY OBLIGOR AS PART OF A BARGAINED FOR LOAN TRANSACTION.

INITIALED BY OBLIGOR:

Section 2.20 Claims Against Collateral Agent and Purchasers. No action at law or in equity shall be commenced, or allegation made, or defense raised, by Obligor against Collateral Agent or Purchasers for any claim under or related to this Instrument, the Note or any other instrument, document, transfer, conveyance, assignment or loan agreement given by Obligor with respect to the Indebtedness secured hereby, or related to the conduct of the parties thereunder, unless written notice of such claim, expressly setting forth the

particulars of the claim alleged by Obligor, shall have been given to Collateral Agent within sixty (60) days from and after the initial awareness of Obligor of the event, omission or circumstances forming the basis of Obligor for such claim. Any failure by Obligor to timely provide such written notice to Collateral Agent shall constitute a waiver by Obligor of such claim.

ARTICLE 3

Section 3.01 Successors and Assigns. This Instrument shall inure to the benefit of and be binding upon Obligor, Collateral Agent and their respective heirs, executors, legal representatives, successors and assigns. Whenever a reference is made in this Instrument to

Obligor or Collateral Agent such reference shall be deemed to include a reference to the heirs, executors, legal representatives, successors and assigns of Obligor or Collateral Agent.

Section 3.02 Terminology. All personal pronouns used in this Instrument whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Titles and Articles are for convenience only and neither limit nor amplify the provisions of this Instrument itself, and all references herein to Articles, Paragraphs or subparagraphs thereof, shall refer to the corresponding Articles, Paragraphs or subparagraphs thereof, of this Instrument unless specific reference is made to such Articles, Paragraphs or subparagraphs thereof of another document or instrument.

Section 3.03 Severability. If any provision of this Instrument or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Instrument and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

Section 3.04 Applicable Law. This Instrument shall be interpreted, construed and enforced according to the laws of the State of Kentucky.

Section 3.05 Notices. Except as otherwise provided herein, any notice or other communication required hereunder shall be in writing, and shall be deemed to have been validly served, given or delivered the next succeeding Domestic Business Day after timely delivery to the courier, if sent by overnight courier; at the time delivered by hand, if personally delivered; or when receipt is acknowledged, if (i) telecopied (followed by delivery of written copy thereof sent by overnight courier on the same day as such notice is given), or (ii) sent by registered or certified mail, return receipt requested, addressed to Obligor or Collateral Agent as follows:

If to Obligor:

Churchill Weavers, Inc.
c/o Crown Crafts, Inc.
1600 RiverEdge Parkway
Suite 200
Atlanta, Georgia 30328
Attn: E. Randall Chestnut, Chief Executive Officer
Telecopy Number: (404) 644-6233
Telephone Number: (404) 644-6230

with a copy to:

Rogers & Hardin
2700 International Tower
Peachtree Center
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attn: Steven E. Fox, Esq.
Telecopy Number: (404) 525-2224
Telephone Number: (404) 522-4700

If to Collateral Agent:

Wachovia Bank, N.A.
191 Peachtree Street
30th Floor
Atlanta, Georgia 30303
Attn: Leveraged Finance
Telecopy Number: (404) 332-6920
Telephone Number: (404) 332-1383

with a copy to:

Jones, Day, Reavis & Pogue
3500 SunTrust Plaza
303 Peachtree Street, Suite 3500
Atlanta, Georgia 30308
Attn: Christopher L. Carson, Esq.
Telecopy Number: (404) 581-8330
Telephone Number: (404) 581-8035

or to such other address as any party may designate for itself by like notice.

Section 3.06 Assignment. This Instrument is assignable by Collateral Agent, and any assignment hereof by Collateral Agent shall operate to vest in the assignee all rights and powers herein conferred upon and granted to Collateral Agent.

Section 3.07 Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Obligor under this Instrument, the Note and any and all other instruments now or hereafter evidencing, securing or otherwise relating to the Indebtedness.

Section 3.08 Subordination to Prior Mortgage. This Instrument and the liens and security interest created hereby are subject and subordinate to that certain Mortgage, Security Agreement and Fixture Financing Statement dated September 22, 1999 and recorded in Mortgage Book 586, Page 332, in the Office of the Clerk of Madison County, Kentucky, Records.

Section 3.09 Fixture Filing. FOR PURPOSES OF THE UNIFORM COMMERCIAL CODE, THE FOLLOWING INFORMATION IS FURNISHED:

(a) The name and address of the record owner of the real estate described in this Instrument is:

Churchill Weavers, Inc.
c/o Crown Crafts, Inc.
1600 RiverEdge Parkway, Suite 200
Atlanta, Georgia 30328

(b) The name and address of the debtor/mortgagor is:

Churchill Weavers, Inc.
c/o Crown Crafts, Inc.
1600 RiverEdge Parkway, Suite 200
Atlanta, Georgia 30328

(c) The name and address of the secured party/mortgagee is:

Wachovia Bank, N.A., as agent
191 Peachtree Street, 30th Floor
Atlanta, Georgia 30303

(d) Information concerning the security interest evidenced by this Instrument may be obtained from the secured party at its address above.

(e) This Instrument covers debts which are or are to become fixtures.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Obligor has executed this Instrument under seal, as of the day and year first above written.

CHURCHILL WEAVERS, INC., a
Kentucky corporation

By: /s/ E. Randall Chestnut

Printed Name: E. Randall Chestnut

Printed Title: Vice President

Attest: /s/ Robert A. Enholm

Printed Name: Robert A. Enholm

Printed Title: Secretary

STATE OF)
) ss:
COUNTY OF)

The foregoing instrument was acknowledged before me this day 24th of July, 2001, by E. Randall Chestnut, as the Vice President of Churchill Weavers, Inc., a Kentucky corporation, on behalf of the corporation.

/s/ Janice I. Dillingham

NOTARY PUBLIC

[NOTARIAL SEAL]

My Commission Expires:

THIS INSTRUMENT PREPARED BY
AND UPON RECORDATION, RETURN TO:

- ---
Tracy S. Plott, Esq.
Jones, Day, Reavis & Pogue
3500 SunTrust Plaza
303 Peachtree Street
Atlanta, Georgia 30308-3242

EXHIBIT "A"

Description of Land

(Churchill Weavers, 100 Churchill Drive, Berea, Madison County, Kentucky 40403)

A certain tract of land located on the south side of Lorraine Court, approximately 420 feet east of Estill Street in Berea, Madison Co., Kentucky, and being bound by survey (job no. 5592) made November 22, 1995, by Charles E. Black, a Licensed Land Surveyor (L.S. 670), and shown as Tract 4A on a certain plat which is recorded in Plat Book 13, page 65, in the office of the Madison County Clerk, Richmond, Kentucky, to which reference is made for a more complete description, and said property being more particularly described as follows:

TRACT 4A:

Beginning at an existing pipe in the south right of way line of Lorraine Court and corner to lot 9 of Lorraine Court Subdivision; thence leaving said right of way line with the line of lot 9 S41(degree) 19' 32"E 151.82 feet to an existing bolt in a 1/2" pipe; thence continuing with lot 9 for a portion of and lot 11 for the remainder of N53(degree) 32' 00" E 100.01 feet to a steel pin at the common corner of lot's 11 & 13; thence leaving the line of lot 11 on a new line dividing the lands of Tract 4 S51(degree) 02' 37" E 266.00 feet to an existing steel pin & cap in the line of the Berea Country Club; thence continuing with the lines of the Berea Country Club two (2) calls: S39(degree) 12' 22" E 325.21 feet to an existing steel pin; thence, S45(degree) 55' 37" W 157.78 feet to an existing 3/4" pipe & cap in the line of lot 8 of Churchill Acres Subdivision (Robert Nunnery); thence leaving the lines of the Berea Country Club with the line of lot 8 for a portion of, lot 7 (John S. Cooke) for a portion of, lot 6 (J. Randolph Osborne) for a portion of and lot 5 (London Peoples) for the remainder of four (4) calls: N44(degree) 17' 09" W 142.99 feet to an existing 3/4" pipe; thence, S45(degree) 20' 15" W 123.61 feet to an existing steel pin & cap; thence, N49(degree) 16' 36" W 238.40 feet to an existing 1 1/2" pipe; thence, N49(degree) 16' 36" W 227.37 feet to an existing 1 1/2" pipe and common corner to Tract 5; thence continuing with the line of Tract 5 N24(degree) 09' 10" W 25.39 feet to an existing steel pin & cap and corner to Lot 1 of Lorraine Court Subdivision; thence continuing with lot 1 N54(degree) 06' 54" E 63.00 feet to an existing 6" bolt and common corner to lot 1 & 3; thence continuing with lot 1 N41(degree) 22' 15" W 140.30 feet to an existing steel pin & cap in the south right of way line of Lorraine Court; thence continuing with said right of way line N48(degree) 51' 06" E 150.21 feet to an existing pipe and point of beginning and containing 4.44 acres.

Being a portion of the property conveyed to Obligor by David C. Churchill and Eleanor F. Churchill, husband and wife, pursuant to that certain Deed recorded in Deed Book 152, Page 335, of the real estate records of Madison County, Kentucky.

EXHIBIT "B"

Permitted Exceptions

1. Such encumbrances or exceptions to title as are of record prior to date of recordation of this instrument.

2. Such encumbrances or exceptions to title as would be revealed by a current survey of the property.

EXHIBIT 10.17

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (this "Agreement") is made as of July 23, 2001, by and among CROWN CRAFTS, INC., a Georgia corporation, CHURCHILL WEAVERS, INC., a Kentucky corporation, HAMCO, INC., a Louisiana corporation, and CROWN CRAFTS INFANT PRODUCTS, INC, a Delaware corporation (individually and collectively, the "Borrowers"), and WACHOVIA BANK, N.A., a national banking association organized under the laws of the United States of America, acting as Collateral Agent under this Agreement for the "Lenders" from time to time party to the Credit Agreement described below ("Wachovia" and, in its capacity as Collateral Agent, together with any successor collateral agent, the "Collateral Agent").

RECITALS:

WHEREAS, the Borrowers, the Lenders, and Wachovia, as Agent, have entered into that certain Credit Agreement dated as of the date hereof (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Credit Agreement"; capitalized terms used herein without definition have the meanings set forth in the Credit Agreement), pursuant to which the Lenders have agreed, subject to the terms thereof, to make available to the Borrowers certain financial accommodations;

WHEREAS, this Agreement is an amendment and restatement of the Original Security Agreement executed pursuant to the Refinanced Agreements, and it is the intent of the parties that the Liens and security interests granted pursuant to the Original Security Agreement shall continue without interruption to secure the Secured Obligations (as defined below), and the UCC-1 financing statements filed in connection with the Original Security Agreements shall continue to perfect the Liens and security interests in the Collateral to secure the Secured Obligations;

AGREEMENTS:

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which the parties hereto hereby acknowledge, the parties hereto agree as follows:

DEFINITIONS

In addition to the definitional provisions contained in SECTION 5.9 hereof and the defined terms contained in the Credit Agreement which are incorporated by reference herein as set forth in the Recitals hereto, as used in this Agreement, the terms defined in the Preamble and Recitals hereto shall have the respective meanings specified therein, and the following terms shall have the following meanings:

"Account Debtor" shall mean the Person who is obligated on any of the Accounts Receivable Collateral or Factored Accounts or otherwise is obligated as a purchaser or lessee of any of the Inventory Collateral.

"Accounts Receivable Collateral" shall mean and include all accounts, instruments, and chattel paper, including, without limitation, all rights of each Borrower to payment for goods sold or leased, or to be sold or to be leased, or for services rendered or to be rendered, howsoever evidenced or incurred, and together with all returned or repossessed goods and all books, records, computer tapes, programs and ledger books arising therefrom or relating thereto, all whether now owned or hereafter acquired or arising; provided that the term "Accounts Receivable Collateral" shall not include Factored Accounts.

"Approved Depository" means either (a) the Collateral Agent or (b) another depository bank which is acceptable to the Collateral Agent, with whom the Collateral Agent has entered into an agreement satisfactory to it and pursuant to which, among other things, the Approved Depository: (i) agrees to

waive any right of setoff with respect to the Collateral, the Cash Collections and the Cash Deposits; (ii) acknowledges and agrees that the Collateral Agent has a security interest in the Collateral, and that it is the bailee of the Collateral Agent with respect thereto; and (iii) agrees that, upon notice from the Agent of an Event of Default, it will act strictly in accordance with the instructions of the Collateral Agent with respect to deposit balances of the Borrowers held by it, including, without limitation, any instructions of the Collateral Agent to remit such balances to it, and not in accordance with any instructions of the Borrowers or any other Person.

"Balances Collateral" shall mean all property of each Borrower left with the Agent, the Collateral Agent or any Lender or in the possession, custody or control now or hereafter of the Agent, the Collateral Agent or any Lender, all deposit accounts of each Borrower now or hereafter opened with the Agent, the Collateral Agent or any Lender or with another depositary which has executed a Blocked Account Agreement, all certificates of deposit issued by the Agent or any Lender to any Borrower or by another issuer which has executed a Blocked Account Agreement or where the certificate of deposit has been pledged with the Collateral Agent, in each case as required by SECTION 2.14(b) of the Credit Agreement, all drafts, checks and other items deposited in or with the Agent, the Collateral Agent or any Lender by any Borrower for collection now or hereafter, including, without limitation, all such items described in SECTION 10.05 of the Credit Agreement.

"Blocked Account Agreement" means a Blocked Account Agreement substantially in the form of EXHIBIT Q to the Credit Agreement, with any changes as may be acceptable to the Required Lenders in their sole discretion, executed and delivered by any depositary institution with which any Borrower has a demand deposit, operating account or other such similar depositary relationship.

"Borrowers" means, individually and collectively, as the context requires, each of the following Persons, each of them being jointly and severally obligated as Borrowers hereunder: (i) each of the Borrowers listed in the first paragraph of this Agreement; (ii) any Person which becomes a Borrower pursuant to the provisions of SECTION 5.15 of the Credit Agreement; and (iii) in the case of each Borrower, its successors and its permitted assigns.

"Cash Collections" means all cash, checks, drafts, items and other instruments for the payment of money received by each Borrower from proceeds of Collateral.

"Cash Deposits" means all deposits of Cash Collections with depository banks, including with the Approved Depositaries.

"CITCSI" means The CIT Group/Commercial Services, Inc.

"Collateral" means the personal property in which the Collateral Agent, for the benefit of the Lenders, is granted a security interest pursuant to SECTION 1.1.

"Collateral Information Certificate" means that certain Collateral Information Certificate dated as of even date herewith which was executed and delivered to the Agent by each of the Borrowers and which contains the disclosure of information pertaining to the Collateral.

"Collateral Locations" shall mean the respective state of organization of each Borrower, chief executive office of each Borrower and those additional locations, if any, of each Borrower set forth and described in the Collateral Information Certificate.

"Collateral Reserve Account" shall mean any non-interest bearing, demand deposit account which any Borrower is or may be required to open and maintain with the Collateral Agent pursuant to the requirements of SECTION 3.1.6 hereof.

"Default Rate" shall have the meaning given such term in the Credit Agreement.

"Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, attorneys' fees and expenses) of

any nature whatsoever paid or incurred by or on behalf of the Agent or the Collateral Agent in connection with (a) the collection or enforcement of any or all of the Secured Obligations or this Agreement (including, without limitation, attorneys' fees incurred prior to the institution of any suit or other proceeding), (b) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Collateral, (c) the monitoring, inspection, administration, processing, servicing of any or all of the Secured Obligations and/or the Collateral, (d) the preparation of this Agreement, the Security Documents, and the preparation and review of lien and record searches, reports, certificates, and/or other documents or information relating from time to time to the taking, perfection, inspection, preservation, protection and/or release of a Lien on the Collateral, the value of the Collateral, or otherwise relating to the Agent's, the Collateral Agent's or any Lender's rights, powers and remedies under this Agreement or with respect to the Collateral, and (e) all filing and/or recording taxes or fees and all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees, each Borrower hereby agreeing to indemnify and save the Agent, the Collateral Agent and the Lenders harmless from and against such liabilities.

"Equipment Collateral" shall mean all equipment and fixtures of each Borrower, whether now owned or hereafter acquired, wherever located, including, without limitation, all machinery, furniture, furnishings, leasehold improvements, computer equipment, books and records, motor

vehicles, forklifts, rolling stock, dies and tools used or useful in such Borrower's business operations, and software embedded in any such goods, excluding, however, Excluded Equipment.

"Event of Default" has the meaning given such term in SECTION 6.01 of the Credit Agreement.

"Excluded Equipment" means (i) any equipment subject to a Purchase Money Lien as to which the purchase money creditor holding such Lien prohibits other Liens thereon without its prior consent, unless and until either (A) such creditor grants such consent or (B) the Debt secured by such Lien has been fully paid and satisfied; and (ii) any equipment with respect to which the rights of possession and use of any Borrower are created pursuant to a lease which does not create a security interest, unless and until such time (if any) as such Borrower acquires title to such equipment from the lessor or the lessor abandons its rights and claims thereto.

"Factored Accounts" means all accounts of any Borrower actually purchased by a Permitted Factor in connection with a factoring program approved by the Lenders, which factoring program, among other things, shall not provide for any loans or advances to be made to any of the Borrowers on account of accounts to be purchased by such Permitted Factor or any Lien on accounts or related assets not purchased or identified for purchase by such Factor.

"Factoring Balances Agreement" means the Assignment of Factoring Balances Agreement dated on or about the date of this Agreement among the Borrowers, collectively and individually, the Collateral Agent, and CITCSI.

"Governmental Authority" means any nation or government, any state or other political subdivision or agency thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Intangibles Collateral" shall mean all general intangibles of each Borrower, whether now existing or hereafter acquired or arising, including, without limitation, all copyrights, royalties, tax refunds, rights to tax refunds, trademarks, trade names, service marks, patent and proprietary rights, blueprints, drawings, designs, trade secrets, plans, diagrams, schematics and assembly and display materials relating thereto, all customer lists, all books and records and all computer software and programs, and all goodwill of each Borrower associated therewith.

"Inventory Collateral" shall mean all inventory of each Borrower,

whether now owned or hereafter acquired, wherever located, including, without limitation, all goods of such Borrower held for sale or lease or furnished or to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, spare parts, repair parts, returned and repossessed goods, software embedded in such goods, all raw materials, work-in-process, finished goods and supplies used or consumed in such Borrower's business, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading or orders for the delivery of all, or any portion, of the foregoing; provided, however, that "Inventory Collateral" shall not include goods which are placed by the owner thereof on consignment with a Borrower in compliance with SECTION 2-326 of the UCC of the applicable jurisdiction.

"Laws" means all ordinances, statutes, rules, regulations, orders, injunctions, writs, or decrees of any Governmental Authority.

"Lender" has the meaning given such term in the first paragraph of this Agreement.

"Material Contract" means any contract, lease, instrument, guaranty or license, or other arrangement (other than any of the Credit Documents), whether written or oral, to which any Borrower or any of the Subsidiaries is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could have a Material Adverse Effect.

"Secured Obligations" means (a) the full and final payment and/or performance of all "Obligations" under the Credit Agreement (as such term is defined in the Credit Agreement) and (b) the full and final payment and/or performance of all Enforcement Costs.

"Permitted Encumbrances" shall have the meaning given such term in the Credit Agreement.

"Permitted Factors" means any factor which has been approved by the Lenders and which has executed and delivered, and is subject to, a Factoring Balances Agreement.

"Purchase Money Lien" shall have the meaning given such term in the Credit Agreement.

"Third Party" means any landlord, warehousemen, servicer, processor, bailee and other third parties which may, from time to time, be in the possession or control of, any Collateral or any property on which any Collateral is or may be located.

"Third Party Claims" means claims of Third Parties against any Borrower for rent, storage, maintenance, repair, processing, servicing or bailment in respect of any Collateral or any property on which any Collateral is or may be located.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect in the relevant jurisdiction, as amended from time to time.

"Waiver Agreement" means a Waiver and Agreement substantially in the form of EXHIBIT J to the Credit Agreement, with any changes as may be acceptable to the Required Lenders in their sole discretion, executed and delivered by any Third Party waiving or subordinating its Third Party Claims, and making certain other agreements in regard to the Collateral, all on terms satisfactory to the Collateral Agent in all respects.

ARTICLE 1

Section 1.1 As security for the payment of all Secured Obligations, each Borrower hereby grants to Collateral Agent, for the ratable benefit of the Lenders, a continuing, general lien upon and security interest and security title in and to the following described property, wherever located, whether now existing or hereafter acquired or arising, namely: (a) the Accounts Receivable Collateral and all amounts payable to any Borrower by a Permitted Factor with respect to Factored Accounts; (b) the Inventory Collateral; (c) the Equipment Collateral; (d)

the Intangibles Collateral; (e) the Balances Collateral; and (f) all products and/or proceeds of any and all of the foregoing, including, without limitation, insurance proceeds.

Section 1.2 Release. Except as provided in SECTION 3.1.10 below, the Collateral Agent shall have no right or obligation to release and/or terminate this Agreement, except upon both the performance of this Agreement and the indefeasible payment and/or performance of all Secured Obligations and the expiration and termination of any and all commitments or obligations (whether or not conditional) of the Lenders to the Borrowers. Each of the Lenders agrees that it shall notify the Collateral Agent in writing promptly upon (i) the termination of any commitment or other obligations relating to financial accommodations with respect to the Secured Obligations owed to such Lender, and (ii) the payment in full of the Secured Obligations owed to such Lender. When all Lenders have so notified the Collateral Agent, the Collateral Agent shall reasonably cooperate with the Borrowers to provide for such release and/or termination of this Agreement and the security interests granted herein.

Section 1.3 Financing Statements. Each of the Borrowers authorizes the Collateral Agent to file financing statements consistent with this Agreement in such filing offices as it shall select, and acknowledges that such financing statement may describe the Collateral as "all personal property" of such Borrower.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties. Each of the Borrowers, jointly and severally, represents and warrants to the Collateral Agent as follows:

2.1.1 Place(s) of Business and Location of Collateral; Related Information; Jurisdiction of Incorporation. The correct corporate name and state of organization of each Borrower, address of such Borrower's chief executive office and principal place of business, each of its other places of business, each place owned or leased by such Borrower where the Collateral or any books or records relating thereto are located, and such Borrower's Federal Identification number are accurately set forth in the Collateral Information Certificate. Such Borrower is incorporated under the laws of the state indicated in the Collateral Information Certificate. Each Borrower's organization identification number is set forth below:

<TABLE>
<CAPTION>

BORROWER	ORGANIZATIONAL IDENTIFICATION NUMBER
<S>	<C>
Crown Crafts, Inc.	7402471
Churchill Weavers, Inc.	0009403
Hamco, Inc.	34195389D
Crown Crafts Infant Products, Inc.	2840837

</TABLE>

2.1.2 Corporate Existence and Power. Such Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, except where the failure to qualify would not have or reasonably be expected to cause a Material Adverse Effect, and has all corporate powers and

all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have any such licenses, authorizations, consents and approvals could not have or reasonably be expected to cause a Material Adverse Effect.

2.1.3 Corporate and Governmental Authorization; No Contravention. Such Borrower's execution, delivery and performance of this Agreement, the Notes and the other Credit Documents (i) are within such Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, and have been executed on behalf of such Borrower by duly authorized officers, (iii) require no action by or in respect of or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles or certificate of incorporation or by-laws of such Borrower or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Borrower or any of its Subsidiaries (excepting any license agreements or other Intangibles Collateral which operate to restrict the collateral assignment thereof or the grant of a security interest therein or in Licensed Inventory or other property licensed thereunder or subject to the terms thereof, the effect of which restrictions is limited by

applicable law), and (v) do not result in the creation or imposition of any Lien on any asset of such Borrower or any of its Subsidiaries (except in favor of the Collateral Agent).

2.1.4 Binding Agreements. This Agreement constitutes a valid and binding agreement of such Borrower enforceable in accordance with its terms, and the Notes and the other Credit Documents, when executed and delivered in accordance with the Credit Agreement, will constitute valid and binding obligations of such Borrower enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally, and provided, further, that the enforcement of the Collateral Agent's security interests in any license agreements or other Intangibles Collateral, and any Licensed Inventory or other property licensed thereunder or subject to the terms thereof, is subject to the terms of such license agreements or other Intangibles Collateral, except to the extent otherwise provided by applicable law.

2.1.5 Title to Collateral. Such Borrower has good and marketable title to its properties and assets which are included among or give rise to the Collateral, subject to Liens of the Collateral Agent pursuant to this Agreement and the other Credit Documents and except for the Permitted Encumbrances and any restrictions relating to collateral assignment or transfer of any license agreement or other Intangibles Collateral which operate to restrict the collateral assignment thereof or the grant of a security interest therein or in Licensed Inventory or other property licensed thereunder or subject to the terms thereof, the effect of which restrictions is limited by applicable law). Subject to the limitations noted in the immediately preceding sentence, such Borrower has legal, enforceable and uncontested rights to use freely such property and assets.

2.1.6 Bona Fide Rights of Payment; Right to Assign. Each right of payment constituting a part of the Collateral arises or will arise under a contract between such Borrower and each Account Debtor, or from the bona fide sale or delivery of goods to or performance of services for, such Account Debtor. No Governmental Authority is an Account Debtor with respect to any portion of the Collateral. Such Borrower has full right, power and authority to make the assignment pursuant to this Agreement of the Accounts Receivable Collateral and to grant a security interest in all of the Collateral.

2.1.7 Recitals. The Recitals to this Agreement are true, accurately reflect the matters set forth herein and are hereby incorporated into and made a part of this Agreement.

2.1.8 Purchase of Collateral. Such Borrower has not, within the 12 months period preceding the Closing Date, purchased any of the Collateral in a bulk transfer or in a transaction which was outside the ordinary course of the business of such Borrower's seller.

2.1.9 Account Debtor Capacity and Solvency. Each Account Debtor hereunder (a) had the capacity to contract at the time any contract or other document giving rise to the account was executed and (b) such Account Debtor was not and is not "insolvent" as that term is defined in SECTION 4.16 of the Credit Agreement.

2.1.10 Proceedings with Respect to Accounts. There are no proceedings or actions which are threatened or pending against any Account Debtor which are reasonably likely to have a material adverse change in such Account Debtor's financial condition or the collectibility of such account.

2.1.11 Survival of Representations and Warranties. All representations and warranties contained in or made under or in connection with this Agreement shall survive the execution of this Agreement and the incurring of any particular Secured Obligations.

ARTICLE 3
COVENANTS AND AGREEMENTS OF THE Borrowers

Section 3.1 Covenants. So long as any of the Secured Obligations (or commitments therefor, if any) shall be outstanding, each of the Borrowers, jointly and severally, agrees with the Collateral Agent, for itself and the Lenders, as follows:

3.1.1 Conduct of Business and Maintenance of Existence, Compliance with Laws, Etc. Such Borrower will (i) do or cause to be done all things necessary to preserve and to keep in full force and effect its corporate existence and material rights and its franchises, trade names, patents, trademarks and permits which are necessary for the continuance of its business, and (ii) comply with all applicable Laws and observe the valid requirements of Governmental Authorities, the noncompliance with or the nonobservance of which would materially interfere with the performance of its obligations hereunder, or the Collateral Agent's interest in the Collateral.

3.1.2 Business Names and Addresses. Within the previous 5 years, such Borrower has not conducted business under or been legally known by any name and will not change its name to any other name other than those disclosed in the Collateral Information Certificate.

3.1.3 Certain Notices. Such Borrower will notify the Collateral Agent: (a) not less than 30 days prior to (i) any change in the name, state of organization or corporate structure under which it conducts its business, its Federal Tax Identification Number or its state organizational identification number, and (ii) the opening of any new place of business or any change in any of the places where the books and records concerning the Collateral, or any part thereof, are kept (and will provide to the Collateral Agent prior to any such change all financing statements requested by it in connection with such new place of business or location of books and records, as well as any other security instrument that the Collateral Agent may require be executed by such Borrower in order to constitute a Lien upon any new Collateral that may be located (as permitted under SECTION 3.1.9 hereof) in said new place of business or books and records) (but the Collateral Agent hereby acknowledges receipt of the notice of the relocation to Louisiana as contemplated in Section 5.23 of the Credit Agreement); and (b) promptly, of (i) the commencement of any litigation affecting any of the Collateral or the title thereto or rights therein, other than arising out of disputes with Account Debtors pertaining to the Collateral, in an aggregate amount not in excess of $25,000 not covered by insurance, or (ii) the occurrence of any material casualty or other loss affecting any material portion of the Collateral.

3.1.4 Maintenance of the Collateral; Insurance. Such Borrower will maintain the Collateral in good working order, saving and excepting ordinary wear and tear, and will not permit anything to be done to the Collateral which may materially impair the value or use thereof. The Collateral Agent and each Lender, or representatives designated by the Collateral Agent or such Lender, respectively, shall be permitted to enter the premises of such Borrower and examine, audit and inspect the Collateral at any reasonable time

and from time to time without notice. Such Borrower will promptly furnish to the Collateral Agent and each Lender all such additional information regarding the Collateral as the Collateral Agent or such Lender may from time to time reasonably request. Such Borrower shall maintain insurance on the Collateral consisting of goods with such companies, in such amounts and against such risks as are consistent with industry standards, with loss payable to the Collateral Agent as its interests may appear. Such insurance shall not be cancelable by such Borrower, unless with the prior written consent of the Collateral Agent, or by such Borrower's insurer, unless with at least (i) 10 days advance written notice to the Collateral Agent in the event of a cancellation for nonpayment of premiums or other amounts, or (ii) 30 days advance written notice to the Collateral Agent in all other events.

3.1.5 Recordings and Filings. Such Borrower shall: (a) execute and deliver all financing documents (including, without limitation, UCC-1 and UCC-3 statements) required to be filed, registered or recorded in order to create, in favor of the Collateral Agent, a first priority (subject to the express provisions hereof), perfected Lien in the Collateral, to the extent such Lien can be perfected under the Uniform Commercial Code, in form and in sufficient number for filing, registration, and recording in each office in each jurisdiction in which such filings, registrations and recordations are required, and (b) deliver such evidence as the Collateral Agent may deem satisfactory that all necessary filing fees and all recording and other similar fees, and all taxes and other expenses related to such filings, registrations and recordings will be or have been paid in full.

3.1.6 Defense of Title and Further Assurances. At its expense such Borrower will defend the title to the Collateral (or any part thereof), and promptly upon request execute, acknowledge and deliver any financing statement, renewal, affidavit, assignment, continuation statement, security agreement, certificate, or other document the Collateral Agent may reasonably require in order to perfect, preserve, maintain, continue, protect and/or extend the Lien granted to the Collateral Agent under this Agreement and its priority under the Uniform Commercial Code. Such Borrower will (i) comply in all material respects with all license agreements relating to any Collateral and, upon the request of the Collateral Agent, use commercially reasonable efforts to obtain and furnish to the Collateral Agent any consents from licensors to effect the purposes of this Agreement, (ii) duly execute and/or deliver (or cause to be duly executed and/or delivered) to the Collateral Agent any instrument, agreement, invoice, document, document of title, dock warrant, dock receipt, warehouse receipt, bill of lading, order, financing statement, assignment, waiver, Waiver Agreement, consent, acknowledgment, control agreement or other writing which may be reasonably necessary to the Collateral Agent to carry out the terms of this Agreement and any of the other Credit Documents and to perfect its security interest or intended security interest in and facilitate the collection of the Collateral, the proceeds thereof, and any other property at any time constituting security or intended to constitute security to the Collateral Agent, (iii) deliver to the Collateral Agent in pledge all instruments evidencing the obligation to pay any of the Collateral not maintained or pledged with the Collateral Agent,

and (iv) from time to time do whatever the Collateral Agent may reasonably request by way of obtaining, executing, delivering, and/or filing financing statements, and other notices and amendments and renewals thereof, and will take any and all steps and observe such formalities as the Collateral Agent may reasonably request, in order to create and maintain a valid Lien upon the Collateral, subject to no other Liens, except as permitted hereby or by the Credit Documents. The Borrowers agree that a photocopy of a fully executed financing statement shall be sufficient to satisfy for all purposes the requirements of a financing statement as set forth in Article 9 of the Uniform Commercial Code. Such Borrower will comply in all material respects with all federal, state and local laws and regulations affecting the Collateral.

3.1.7 Security, etc. Such Borrower agrees that the Collateral Agent may at any time take such steps as the Collateral Agent deems reasonably necessary to protect the Collateral Agent's Lien upon and interest in, and to preserve the Collateral, whether at the business premises of such Borrower or elsewhere.

3.1.8 Other Liens. Such Borrower will not permit any Liens

on or with respect to all or any part of the Collateral, except as expressly permitted hereby and by the Credit Documents.

3.1.9 Location of Collateral. Except as expressly permitted elsewhere in this Agreement or except as may be permitted by the Credit Documents, without prior written consent of the Collateral Agent, such Borrower will not transfer, or permit the transfer of any of the Collateral except (i) to a location for which the security interest in favor of the Collateral Agent therein shall remain perfected, (ii) to any other location so long as such Borrower shall give the Collateral Agent written notice thereof and deliver executed financing statements as reasonably requested by the Collateral Agent in connection therewith within 30 days of such transfer, and (iii) for Collateral with a book value of less than $50,000 to another location.

3.1.10 Disposition of Collateral. Without the prior written consent of the Collateral Agent (acting at the direction of the Required Lenders), such Borrower will not sell, discount, allow credits or allowances, transfer, assign, extend the time for payment on, convey, lease, assign, transfer or otherwise dispose of the Collateral, or any part thereof, except, prior to an Event of Default, (i) sales of inventory, discounts, co-op advertising, credits or credit allowances and payment extensions in the ordinary course of business in accordance with the customary business practices of such Borrower in effect on the date hereof, (ii) sales of accounts receivables to CITCSI from time to time so long as the Factoring Balances Agreement remains in effect, and (iii) as otherwise expressly permitted by the Credit Documents. Upon the permitted sale, exchange or other disposition of any of the Collateral, the Lien created and provided for herein, without break in continuity and without further formality or act, shall continue in and attach to any proceeds thereof, including, without limitation, any accounts, contract rights, general intangibles, shipping documents, documents of title, bills of lading, warehouse receipts, dock warrants, dock receipts, equipment and cash or non-cash proceeds, and in the event of any unauthorized sale, shall continue in the Collateral itself.

3.1.11 Depository Accounts; Collections.

(a) Simultaneously herewith, the Borrowers shall establish and continually maintain with the Collateral Agent one or more Collateral Reserve Accounts under the sole and exclusive control of the Collateral Agent into which Borrowers shall cause each Account Debtor to remit all cash, checks, drafts, items and other instruments for the payment of money which it now has or may at any time hereafter receive in full or partial payment for the Inventory Collateral or otherwise as proceeds of the Accounts Receivable Collateral; provided, however, as to Churchill Weavers, Inc., the Collateral Agent shall be provided with a Blocked Account Agreement within 4 days of Closing with Churchill Weavers, Inc.'s depositary bank or banks, requiring all balances therein in excess of $100,000 to be transmitted to the Collateral Agent for deposit in a Collateral Reserve Account, with such balances being transmitted on a weekly basis on each Friday and on any other day on which the aggregate amount of balances in such account is equal to or in excess of $100,000. In addition, each Borrower receiving Net Cash Proceeds of dispositions of assets or of the issuance of Capital Stock or Redeemable Preferred Stock or the incurrence of Debt for money borrowed (except Debt secured by Purchase Money Liens), or Net Casualty/Insurance Proceeds shall (or shall cause such other Person receiving such cash proceeds to) remit all such cash proceeds to the Collateral Reserve Account. In the event such items of payment are inadvertently received by any of the Borrowers or any other Person, whether or not in accordance with the terms of this Agreement, such Borrower or other Person shall be deemed to hold the same in trust for the benefit of Collateral Agent and promptly forward them to the Collateral Agent for deposit in the Collateral Reserve Account. The Collateral Agent will deposit all such items of payment received from such Account Debtors into the Collateral Reserve Account promptly upon receipt, and, except as provided in SECTION 2.10(b), 2.10(c) or 2.11(e) of the Credit Agreement, and in any event subject to the provisions of Section 29 of the Intercreditor Agreement, the Collateral Agent shall apply (or distribute to the Agent for such application) the proceeds from such items of payment against the Revolving Loans first, and then

otherwise in accordance with SECTION 2.11(d) of the Credit Agreement. Net Cash Proceeds of dispositions of assets or of the issuance of Capital Stock or Redeemable Preferred Stock or the incurrence of Debt for money borrowed (except Debt secured by Purchase Money Liens) and Net Casualty/Insurance Proceeds shall be held subject to the provisions of SECTION 2.10(c) of the Credit Agreement, and any Net Cash Proceeds or Net Casualty/Insurance Proceeds not required to be paid to the Collateral Agent for the account of the Lenders pursuant to SECTION 2.10(c) shall be paid to the Borrowers on the date such payment is made for the account of the Lenders. During the existence of an Event of Default the Collateral Agent may at any time in its sole discretion or if requested in writing by the Required Lenders, direct Account Debtors to make payments on the Accounts Receivable Collateral, or portions thereof, directly to the Collateral Agent, and the Account Debtors are hereby authorized and directed to do so by each Borrower upon the Collateral Agent's direction, and the funds so received shall be also deposited in the Collateral Reserve Account, or, at the election of the Collateral Agent, upon its receipt thereof, be applied directly to repayment of the Obligations as set forth in SECTION 2.11(e) of the Credit Agreement, subject to Section 29 of the Intercreditor Agreement.

(b) The Borrowers shall not open or maintain any deposit account with any depositary institution (except with the Agent or the Collateral Agent and subject to

the Liens created by this Agreement) unless the depository institution for such account shall have entered into a Blocked Account Agreement with the Collateral Agent (or established a lockbox arrangement with the Collateral Agent), and the Borrower shall deliver to the Collateral Agent in pledge all certificates of deposit issued by any such depositary institution. As of the Closing Date, all deposit accounts maintained by the Borrowers with any depositary institutions are listed on SCHEDULE 2.14 to the Credit Agreement.

3.1.12 Control of Certain Collateral. No item of Accounts Receivable Collateral consisting of non-electronic chattel paper has or will be created without including thereon a legend acceptable to the Collateral Agent indicating that the Collateral Agent has a security interest therein, and at the request of the Collateral Agent, it will take such steps as are required to establish "control" in favor of the Collateral Agent under the Uniform Commercial Code in any electronic chattel paper, investment property, or letter-of-credit rights.

3.1.14 Inventory Returns. If at any time or times hereafter any Account Debtor returns any Inventory Collateral of such Borrower the shipment of which generated an account on which such Account Debtor is obligated in excess of $50,000, such Borrower shall notify the Collateral Agent of the same immediately, specifying the reason for such return and the location and condition of the returned Inventory.

3.1.15 Preservation of Intangibles Collateral. Such Borrower shall take all reasonably necessary and appropriate measures, taking into account the value and usefulness of the relevant Intangibles Collateral and the cost of such measures, to obtain, maintain, protect and preserve the Intangibles Collateral including, without limitation, registration thereof with the appropriate state or federal governmental agency or department.

3.1.16 Records Respecting Collateral. All of such Borrower's records with respect to the Collateral will be kept at its Executive Office and will not be removed from such address without the prior written consent of Collateral Agent.

3.1.17 Collateral Location Waivers. With respect to each of the applicable Collateral Locations, such Borrower will obtain such waivers of lien, estoppel certificates, subordination agreements, or Waiver Agreements as the Collateral Agent may reasonably require to insure the priority of its security interest in that portion of the Collateral situated at such locations.

3.1.18 Payment of Taxes On and Use of Collateral. Such Borrower shall timely pay all taxes and other charges against its Collateral and will not use

the Collateral illegally.

ARTICLE 4
RIGHTS AND REMEDIES UPON DEFAULT

Section 4.1 Rights and Remedies, etc.

4.1.1 General Rights and Remedies. If any Event of Default is in existence, then, in each and every such case, the Collateral Agent may, at its option exercised from time to time, and at the written direction of the Required Lenders will, subject to and as provided in SECTION 6.03 of the Credit Agreement, at any time thereafter while such Event of Default is

continuing, exercise any rights, powers and remedies available to the Collateral Agent under this Agreement, the Credit Agreement and applicable Laws.

4.1.2 Enforcement Costs; Application of Proceeds. The Borrowers agree to pay to the Collateral Agent all Enforcement Costs paid or incurred by the Collateral Agent, and such agreement shall survive the termination of this Agreement and the Lien on the Collateral. All Enforcement Costs, together with interest thereon from the date of any demand therefor until paid in full at a per annum rate of interest equal at all times to the Default Rate, shall be paid by the Borrowers to the Collateral Agent whenever demanded by the Collateral Agent.

Any proceeds of the collection of the sale or other disposition of the Collateral will be applied by the Collateral Agent in accordance with the terms of Section 29 of the Intercreditor Agreement. If the sale or other disposition of the Collateral fails to satisfy all of the Secured Obligations, the Borrowers shall remain liable to the Collateral Agent and the Lenders for any deficiency. Any surplus from the sale or disposition of the Collateral shall be paid to the Borrowers or to any other party entitled thereto or shall otherwise be paid over in a manner permitted by law, after payment in full of all Secured Obligations and the Enforcement Costs related to any such payment.

4.1.3 Uniform Commercial Code and Other Remedies.

4.1.3 (a) Upon the occurrence of an Event of Default, the Collateral Agent or any representative of Collateral Agent, acting at the direction of the Required Lenders, shall have the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any relevant jurisdiction on the date thereof (regardless of whether the same has been enacted in the jurisdiction where the rights or remedies are asserted), and under any other applicable laws, including, without limitation, the right to require the Borrowers to assemble the Collateral, at the Borrowers' expense, and make it available to the Collateral Agent at a place designated by the Collateral Agent which is reasonably convenient to both parties, and enter any premises where any of the Collateral shall be located and to keep and store the Collateral on said premises until sold (and if said premises be the property of any Borrower or any of its Subsidiaries, such Borrower agrees not to charge the Collateral Agent for storage thereof), to take possession of any of the Collateral or the proceeds thereof, to sell or otherwise dispose of the same, and the Collateral Agent shall have the right to conduct such sales on the premises of the Borrowers, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. The Collateral Agent, acting at the direction of the Required Lenders, may sell, lease or dispose of Collateral for cash, credit, or any combination thereof, and shall have the right to appoint a receiver of the Account's Receivable Collateral and the Inventory Collateral, or any part thereof, and the right to apply the proceeds therefrom as set forth in the Credit Agreement. The Collateral Agent shall give the Borrowers written notice of the time and place of any public sale of the Collateral or the time after which any other intended disposition thereof is to be made. Any written notice of the sale, disposition or other intended action by the Collateral Agent with respect to the Collateral which is sent by regular mail, postage prepaid, to a Borrower at the address for such Borrower set forth for notices herein, or such other address of such Borrower which may from time to time be

shown on the Collateral

Agent's records, at least 10 days prior to such sale, disposition or other action, shall constitute reasonable notice to such Borrower. Expenses of retaking, verifying, restoring, holding, insuring, collecting, preserving, liquidating, protecting, preparing for sale or selling, or otherwise disposing of or the like with respect to the Collateral shall include, in any event, reasonable attorneys' fees and other legally recoverable collection expenses, all of which shall constitute a portion of the Enforcement Costs and, therefore, part of the Secured Obligations.

4.1.4 (b) To the extent permitted by law, the Borrowers hereby waive all rights which the Borrowers have or may have under and by virtue of O.C.G.A. CH. 44-14, including, without limitation, the right of the Borrowers to notice and to a judicial hearing prior to seizure of any Collateral by the Collateral Agent.

4.1.5 (c) Unless and except to the extent expressly provided for to the contrary herein, the rights of the Collateral Agent specified herein shall be in addition to, and not in limitation of, the Collateral Agent's or Lender's rights under the Uniform Commercial Code, or any other statute or rule of law or equity, or under any other provision of any of the Credit Documents, or under the provisions of any other document, instrument or other writing executed by the Borrowers or any Third Party in favor of the Collateral Agent, all of which may be exercised successively or concurrently.

4.1.6 (d) The Collateral Agent is hereby granted a license or other right to use, without charge, each Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, tradenames, trademarks and advertising matter, or any Property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral, and the Borrowers' rights under all licenses and all franchise agreements shall inure to the Collateral Agent's benefit.

4.1.7 (e) Neither the Collateral Agent nor any Lender shall be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except the Collateral Agent for reasonable care in the custody thereof while any Collateral is in the Collateral Agent's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever, but the same shall be at the Borrowers' sole risk.

4.1.8 (f) Neither the Collateral Agent nor any Lender shall be under any obligation to marshal any assets in favor of any of the Borrowers or any other Person or against or in payment of any or all of the Secured Obligations.

4.1.9 Power of Attorney. Each Borrower hereby irrevocably designates and appoints the Collateral Agent its true and lawful attorney either in the name of the Collateral Agent or in the name of the Borrowers, effective upon the occurrence and during the existence of an Event of Default, to ask for, demand, sue for, collect, compromise, compound, receive, receipt for and give acquittance for any and all sums owing or which may become due upon any part of the Collateral or under any insurance maintained in accordance with the Security Documents and, in connection therewith, to take any and all actions as the Collateral Agent may deem necessary or desirable in order to realize upon the Collateral or under any insurance maintained

in accordance with the Security Documents, including, without limitation, power to endorse in the name of the Borrowers any checks, drafts, notes or other instruments received in payment of or on account of the Collateral or under any insurance maintained in accordance with the Security Documents, or to sign the respective Borrower's name on any invoice or bill of lading relating to the

Collateral, on notices of assignment, on public records, on verifications of Collateral and on notices to Account Debtors, or on any proof of claim in bankruptcy proceeding against an Account Debtor and any other obligor with respect to the Collateral, to send requests for verification from Account Debtors, to notify the post office authorities to change the address for delivery of the respective Borrower's mail to an address designated by the Collateral Agent and to receive, open and dispose of all mail addressed to the respective Borrower. Notwithstanding the foregoing, the Collateral Agent shall not be under any duty to the Borrowers to exercise any such authority or power or in any way be responsible for the collection of the Collateral or under any insurance maintained in accordance with the Security Documents. The foregoing power of attorney, being coupled with an interest, is irrevocable until the Secured Obligations have been fully satisfied and any commitments therefor terminated. The Collateral Agent may file one or more financing statements disclosing its Lien in any or all of the Collateral without the respective Borrower's signature appearing thereon. The Borrowers also hereby grants to the Collateral Agent a power of attorney to execute any such financing statement, or amendments and supplements to financing statements, on behalf of the Borrowers without notice thereof to the respective Borrower, which power of attorney is coupled with an interest and is irrevocable until the Secured Obligations have been fully satisfied and this Agreement terminated.

ARTICLE 5
MISCELLANEOUS

Section 5.1 Course of Dealing; Amendment. No course of dealing between the Borrowers, individually or collectively, and the Collateral Agent shall be effective to amend, modify or change any provision of this Agreement and this Agreement may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Collateral Agent (at the direction of the requisite Lenders, as required by the Credit Agreement) and the Borrowers. The Collateral Agent shall have the right at all times, subject to the rights of the Lenders under the Credit Agreement and subject to the Intercreditor Agreement, to enforce the provisions of this Agreement in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of the Collateral Agent in refraining from so doing at any time or times. The failure or delay of the Collateral Agent at any time or times to enforce the rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Agreement or as having in any way or manner modified or waived the same.

Section 5.2 Waiver, Cumulative Remedies. Subject to the rights of the Lenders under the Credit Agreement and subject to the Intercreditor Agreement, and the Borrowers under the Security Documents, the Collateral Agent (acting at the direction of the Required Lenders) may, on behalf of the Lenders:

(a) at any time and from time to time, execute and deliver to the Borrowers a written instrument waiving, on such terms and conditions as the Collateral

Agent may specify in such written instrument, any of the requirements of this Agreement or any Event of Default hereunder and its consequences, provided, that any such waiver shall be for such period and subject and limited to such conditions as shall be specified in any such instrument and to the instance for which the waiver is given. In the case of any such waiver, the Borrowers and the Collateral Agent shall be restored to their former positions prior to such Event of Default and shall have the same rights as they had hereunder. The rights, powers and remedies provided in this Agreement are cumulative, may be exercised concurrently or separately, may be exercised from time to time and in such order as the Collateral Agent shall determine, and are in addition to, and not exclusive of, rights, powers and remedies provided by applicable Laws;

(b) proceed against any of the Collateral without proceeding against the Borrowers or other Person obligated under any of the Secured Obligations;

(c) without reducing or impairing the Secured

Obligations of the Borrowers and without notice, release or compromise with any guarantor or other Person liable for all or any part of the Secured Obligations;

(d) without reducing or impairing the Secured Obligations of the Borrowers and without notice thereof: (i) fail to perfect the Lien in any or all Collateral or to release any or all the Collateral or to accept substitute Collateral, (ii) allow all or any of the Secured Obligations to arise after the date of this Agreement, (iii) waive any provision of this Agreement, (iv) exercise or fail to exercise rights of set-off or other rights, (v) accept partial payments or extend from time to time the maturity of all or any part of the Secured Obligations, and (vi) take or fail to take any action under this Agreement or against any one or more Persons obligated under the Secured Obligations.

The Borrowers hereby waive and release all claims and defenses against the Collateral Agent and the Lenders and/or with respect to the payment of or the enforcement of the Secured Obligations and the Collateral Agent's rights in the Collateral on account of any of the foregoing, except as to the Collateral Agent's and the Lenders' gross negligence or willful misconduct.

Section 5.3 Management and Administration by Collateral Agent. The Collateral Agent shall not have any duty to the Borrowers to pay for insurance, taxes, or other charges incurred in the custody, preservation, use or operation of, or in connection with the management of, any Collateral on which a Lien is granted in connection with this Agreement; provided, however, that the Collateral Agent may (in its sole discretion) pay such expenses. All such payments shall be part of the Secured Obligations and shall bear interest payable on demand by the respective Borrower from the date of any demand therefor until paid in full at the Default Rate.

Section 5.4 Waiver of Jury Trial; Consent to Jurisdiction. EACH OF THE BORROWERS (A) AND EACH OF THE LENDERS AND THE COLLATERAL AGENT IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (B) SUBMITS TO THE

NONEXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF GEORGIA, THE COURTS THEREOF AND THE UNITED STATES DISTRICT COURTS SITTING THEREIN, FOR THE ENFORCEMENT OF THIS AGREEMENT, THE NOTES AND THE OTHER CREDIT DOCUMENTS, (C) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAW OF ANY JURISDICTION TO OBJECT ON ANY BASIS (INCLUDING, WITHOUT LIMITATION, INCONVENIENCE OF FORUM) TO JURISDICTION OR VENUE WITHIN THE STATE OF GEORGIA FOR THE PURPOSE OF LITIGATION TO ENFORCE THIS AGREEMENT, THE NOTES OR THE OTHER CREDIT DOCUMENTS, AND (D) AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN THE MANNER PRESCRIBED IN SECTION 10.01 OF THE CREDIT AGREEMENT FOR THE GIVING OF NOTICE TO THE BORROWERS. NOTHING HEREIN CONTAINED, HOWEVER, SHALL PREVENT THE COLLATERAL AGENT FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY AND AGAINST THE BORROWERS PERSONALLY, AND AGAINST ANY ASSETS OF THE BORROWERS, WITHIN ANY OTHER STATE OR JURISDICTION.

Section 5.5 Severability. In case any one or more of the provisions contained in this Agreement, the Notes or any of the other Credit Documents should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby and shall be enforced to the greatest extent permitted by law.

Section 5.6 Assignment, Etc. The Collateral Agent shall have the right to divulge to any actual or potential purchaser, assignee, transferee or participant of the Collateral and/or the Secured Obligations, or any part thereof all information, reports, financial statements and documents obtained in connection with this Agreement or otherwise. Notwithstanding anything contained herein, any confidentiality restriction agreed to by any person shall continue to be binding upon such Person.

Section 5.7 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Borrowers, individually and collectively, and the

Collateral Agent and their respective successors and assigns, except that the Borrowers shall not have the right to assign their rights or obligations hereunder or any interest herein without the prior written consent of the Collateral Agent.

Section 5.8 APPLICABLE LAW. THE BORROWERS, INDIVIDUALLY AND COLLECTIVELY, AND THE COLLATERAL AGENT ACKNOWLEDGE AND AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA.

Section 5.9 Definitional Provisions. Unless otherwise defined herein, as used in this Agreement and in any certificate, report or other document made or delivered pursuant hereto, accounting terms not otherwise defined herein, and accounting terms only partly defined herein, to the extent not defined, shall have the respective meanings given to them under generally accepted United States accounting principles consistently applied to the Borrowers. Unless otherwise defined herein, all terms used herein which are defined by the UCC shall have the same meanings as assigned to them by such adoption of the UCC unless and to the extent varied

by this Agreement. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, subsection, schedule and exhibit references are references to articles, sections or subsections of, or schedules or exhibits to, as the case may be, this Agreement unless otherwise specified. The captions, headings and titles to this Agreement and its sections, subsections and other parts are only for the convenience of the parties and are not part of this Agreement. As used herein, the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require. Reference to this Agreement or to any one or more of the instruments, agreements or documents previously, simultaneously or hereafter executed and delivered by the Borrowers, any guarantor and/or any other Person, singly or jointly with another Person or Persons, evidencing, securing, guarantying or otherwise in connection with any of the Secured Obligations and/or in connection with this Agreement shall mean the same as the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified.

Section 5.10 Continuing Enforcement of the Transaction Documents. If, after receipt of any payment of all or any part of the Secured Obligations of the Borrowers to the Collateral Agent or any of the Lenders, the Collateral Agent is or any such Lenders are compelled or agree, for settlement purposes, to surrender such payment to any person or entity for any reason, then this Agreement and the other Security Documents shall continue in full force and effect or be reinstated, as the case may be. The provisions of this SECTION 5.10 shall survive the termination of this Agreement and the other Security Documents and shall be and remain effective notwithstanding the payment and/or performance of the Secured Obligations, the cancellation of any other Security Documents, the release of any security interest, lien or encumbrance securing the Secured Obligations or any other action which the Collateral Agent or any of the Lenders may have taken in reliance upon its receipt of such payment.

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IN WITNESS WHEREOF, each of the Borrowers has executed and delivered this Agreement, under seal, as of the day and year first written above.

"BORROWERS"

CROWN CRAFTS, INC. (SEAL)

By: /s/ E. Randall Chestnut

Name: E. Randall Chestnut

Title: Executive Vice President

CHURCHILL WEAVERS, INC. (SEAL)

By: /s/ E. Randall Chestnut

Name: E. Randall Chestnut
Title: Vice President

HAMCO, INC. (SEAL)

By: /s/ E. Randall Chestnut

Name: E. Randall Chestnut
Title: President and Chief Executive Officer

CROWN CRAFTS INFANT PRODUCTS, INC. (SEAL)

By: /s/ E. Randall Chestnut

Name: E. Randall Chestnut
Title: Vice President

ACCEPTED AND AGREED TO AS OF
THE DATE FIRST WRITTEN ABOVE:

WACHOVIA BANK, N.A., (SEAL)
as Collateral Agent for the Lenders

By: /s/ R.E.S. Bowen

Name: R.E.S. Bowen
Title: Vice President

EXHIBIT 99.1

CROWN CRAFTS, INC. SELLS ADULT BEDDING, REFINANCES

ATLANTA, JULY 26, 2001 - Crown Crafts, Inc. today announced that it has completed the sale of its adult bedding business to an executive group headed by former CEO Michael Bernstein. The sale included the Calvin Klein, Royal Sateen and private label bedding and bath business which accounted for $76 million of sales in the fiscal year ended April 1, 2001. Also included were Crown Crafts' remaining operations at Roxboro, North Carolina and the New York office and showroom. Proceeds of the sale were $8.5 million cash plus assumption of certain liabilities. The loss on the sale is approximately $24 million.

The company also refinanced its existing short-term debt of approximately $75 million into a new $49 million credit facility with its existing lenders. The new credit facility includes a three year revolving loan of $19 million, senior notes of $14 million due in five years and subordinated notes due in six years. In addition, the lenders received warrants exercisable for non-voting common stock that is convertible into voting common stock. When exercised, the lenders will own 65 percent of the Company's common stock on a fully diluted basis.

E. Randall Chestnut, newly elected Chairman, President and CEO of Crown Crafts stated "We have successfully completed our transition to a company that designs, markets and distributes highly competitive (primarily juvenile) products acquired by global sourcing and selective manufacturing. The new Crown Crafts is a focused consumer products company concentrating on infant bedding, blankets, bibs and accessories as well as luxury hand-woven home decor. The refinancing right-sizes and restructures the company's balance sheet to fit the cash flows of the continuing businesses. We are thankful for the cooperation and commitment of our lender group during this difficult transition.

The new Crown Crafts consists of seven acquisitions made since October 1995. These acquisitions now make up the following companies: Crown Crafts Infant Products (Red Calliope, NoJo, PillowBuddies(R)); Hamco (Hamco, Pinky Baby); Burgundy; and Churchill Weavers.

We are particularly pleased that a very distinguished group has agreed to serve on our board of directors, including Mr. William T. Deyo, Jr., Mr. Steven E. Fox, Mr. Sidney Kirschner, Mr. Zenon S. Nie, Mr. William P. Payne, Dr. Donald Ratajczak, Dr. James A. Verbrugge and chaired by myself, as the only inside director.

The new focused Crown Crafts is well positioned in the marketplace. Hamco is the market leader in infant bibs and Crown Crafts Infant Products has exceptional brand awareness in its core lines of Red Calliope and NoJo, two names that retailers and consumers recognize and seek. In addition, we hold some of the best licenses in the infant business.

On a pro forma basis, Crown Crafts is both profitable and cash flow positive with annual revenue of about $120 million with total assets of about $65 million."

As a result of the restructuring losses incurred in the fiscal year ended April 1, 2001, Crown Crafts expects to report a loss of over $70 million once the audit is finished. The losses include $10 million on the sale of the Wovens division to Mohawk in November 2000, $5 million on the sale of the Roxboro, North Carolina plant to Vector Tobacco in June 2001, $24 million on the sale of the adult bedding business, a write-off of $12 million on computer systems as well as operating losses from businesses that are no longer part of the ongoing Crown Crafts.

E. Randall Chestnut and Carl Texter will host a conference call at 11 AM eastern time on Friday, July 27. The conference call number is 1-800-709-3816.

Statements contained in this release that are not statements of historical fact are "forward-looking statements" within the meaning of the federal securities law. Forward-looking statements involve unknown risks and uncertainties that may cause future results to differ materially from what is anticipated. 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 on third-party suppliers, including some located in foreign countries with unstable political situations, the Company's ability to successfully implement new information technologies, the Company's ability to integrate its acquisitions and new licenses, and the Company's ability to implement operational improvements in its acquired businesses.

Crown Crafts, Inc., headquartered in Atlanta, Georgia, designs, markets and distributes infant & juvenile products and luxury hand-woven home decor. Its subsidiaries include Hamco, Inc. in Louisiana, Crown Crafts Infant Products, Inc. in California, Churchill Weavers in Kentucky and Burgundy Interamericana in Mexico.

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