

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): October 31, 1995  
-----

Crown Crafts, Inc.  
-----

(Exact name of registrant as specified in its charter)

Georgia                      1-7604                      58-0678148  
-----

(State or other      (Commission File Number)      (IRS Employer  
jurisdiction of                      Identification  
incorporation)                      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"), CC Acquisition Corp., a California corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), The Red Calliope and Associates, Inc., a California corporation ("RCA"), and Neal Fohrman and Stanley Glickman, each shareholders of RCA (collectively, the "Shareholders"), entered into a Merger Agreement dated as of October 8, 1995, as amended by Amendment No. 1 thereto dated as of October 31, 1995 (as amended, the "Merger Agreement"), pursuant to which the Merger Sub was merged with and into RCA with RCA thereupon becoming a wholly-owned subsidiary of the Company (the "Merger"). The Merger was consummated and became effective as of October 31, 1995 (the "Closing").

Pursuant to the Merger Agreement, the issued and outstanding shares of RCA immediately prior to the Merger (the "RCA Shares"), were converted into the right to receive consideration, in the aggregate, of approximately \$13.0 million of which \$ 7.2 million was paid to certain of the holders of the RCA Shares as of Closing in the form of cash and \$ 5.8 million was paid to certain of the holders of the RCA Shares as of Closing in the form of promissory notes made by the Company, which notes are due and payable on January 10, 1996 and which bear interest at a rate equal to 6.25% per annum. In addition, the holders of the RCA Shares are entitled to receive cash in an amount equal to the sum of: (i) the Adjustment Amount (as defined in the Merger Agreement); (ii) the Environmental Reserve (as defined in the Merger Agreement); (iii) the Tax Dispute Reserves (as defined in the Merger Agreement); and (iv) all Tax Benefits (as defined in the Merger Agreement) (collectively, the "Holdback

Amounts"). The Holdback Amounts will be released to the holders of the RCA Shares upon the happening of certain events and on certain dates all as more fully described in the Merger Agreement.

At the Closing, Carol Glickman, the wife of Stanley Glickman, a shareholder of RCA, entered into a consulting agreement with RCA, a copy of which is attached to the Merger Agreement as Exhibit A. In addition, at the Closing, each of Neal Fohrman and Nanci Freeman entered into an employment agreement with RCA, copies of which are attached to the Merger Agreement as Exhibits B and C, respectively.

The consideration for the Merger was determined as a result of negotiations between the Company, RCA and the Shareholders and was approved by the boards of directors of the Company and the Merger Sub. Prior to the Merger, neither the Company nor any of its affiliates, directors or officers, nor any associate of any such director or officer had any relationship with RCA or the Shareholders.

The description contained herein of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement and the Press Release dated November 6, 1995, which are attached hereto as Exhibits 2 and 99, respectively, and incorporated herein by this reference.

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

(a) Financial Statements of Business Acquired. Included in this Report are the financial statements, together with the notes thereto and certain supplementary information, of RCA as of June 30, 1995 and the year then ended which have been audited by the independent accounting firm of Lederman, Zeidler & Co., whose opinion is also included herein.

(b) Pro Forma Financial Information. Included in this Report are the unaudited pro forma condensed consolidated balance sheet and condensed consolidated statements of earnings of the Company and the RCA, together with the notes thereto, which give effect to the Merger as if it had occurred for balance sheet presentation purposes as of July 2, 1995 and for statement of earnings presentation purposes as of April 4, 1994. The pro forma condensed consolidated statement of earnings for the year ended April 2, 1995 includes RCA's results of operations for its fiscal year ended June 30, 1995. A pro forma condensed consolidated statement of earnings for the quarter ended July 2, 1995 is also included.

The pro forma financial statements are provided for informational purposes only and should not be construed to be indicative of the Company's financial position or results of operations had the Merger been consummated on such dates and do not project the Company's financial position or results of operations for any future date or period.

The pro forma adjustments are based upon available information and upon assumptions that the Company believes are reasonable in the circumstances. The pro forma financial statements and accompanying notes should be read in conjunction with the Consolidated Financial Statements of the Company and its subsidiaries, including the notes thereto, and the other financial information pertaining to the Company and RCA included elsewhere herein.

The Merger will be accounted for using the purchase method of accounting. The total purchase price of approximately \$16 million will be allocated to the assets of RCA based on their respective fair values. Such allocations will be made based on valuations that have not yet been finalized. The Company believes that substantially all of the excess of purchase price over the historical book value of net assets acquired will be allocated to goodwill, as the historical book value of such assets approximates their fair value. Accordingly, the pro forma condensed consolidated statement of earnings filed herewith reflects amortization of this excess over a life of 20 years resulting in an annual amortization charge of \$559,000.

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

hereto.

Exhibit No. 2.1	Merger Agreement
Exhibit No. 2.2	Amendment No. 1 to Merger Agreement
Exhibit No. 10.1	Consulting Agreement*
Exhibit No. 10.2	Employment Agreement (Fohrman)*

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Exhibit No. 10.3	Employment Agreement (Freeman)*
Exhibit No. 10.4	Tax Reporting Agreement*
Exhibit No. 10.5	Disbursement Agreement*
Exhibit No. 10.6	Promissory Note (Fohrman)
Exhibit No. 10.7	Promissory Note (Tannenbaum)
Exhibit No. 23	Consent of Lederman, Zeidler & Co.
Exhibit No. 99	Press Release

\* Contained as an exhibit to the Merger Agreement

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THE RED CALLIOPE & ASSOCIATES, INC.

FINANCIAL STATEMENTS

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 1995 AND 1994

LEDERMAN, ZEIDLER & CO. Certified Public Accountants

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LEDERMAN, ZEIDLER & CO. Certified Public Accountants

## REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
The Red Calliope & Associates, Inc.  
Los Angeles, California

We have audited the accompanying balance sheets of the Red Calliope & Associates, Inc. as of June 30, 1995 and 1994 and the related statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statements based on our audits.

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

Board of Directors

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Red Calliope & Associates, Inc. at June 30, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

August 10, 1995

THE RED CALLIOPE & ASSOCIATES INC.  
BALANCE SHEET

ASSETS

<TABLE>  
<CAPTION>

	JUNE 30,	
	1995	1994
	-----	-----
	-----	-----
<S>	<C>	<C>
Current assets		
Cash	\$ 267,369	\$ 121,244
Account receivable, trade, net of allowance for doubtful accounts of \$100,000	4,961,601	3,765,768
Inventories (Note 2)	7,947,520	4,753,734
Prepaid expenses	110,457	151,874
Accrued interest receivable, net of allowance for doubtful account (Note 4)		70,379 52,327
Accrued royalties receivable	10,269	23,351
Accounts receivable, other	-	54,782
Notes receivable, officers (Note 3)	180,510	180,510
Deferred income taxes	14,500	14,500
	-----	-----
Total current assets	13,562,605	9,118,090
Note receivable, officer, net of allowance for doubtful account (Note 4)		- -
Furniture, fixtures and equipment, at cost, net of accumulated depreciation (Note 5)		202,626 250,776
Other assets		
Loan origination fee net of accumulated amortization		- 22,500
Deposits	61,681	55,561
	-----	-----
	\$ 13,826,912	\$ 9,446,927
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable, trade	\$ 3,010,496	\$ 2,148,839
Accrued expenses	1,405,814	745,547
Note payable, bank (Note 6)	4,998,134	2,654,564
Income taxes payable	29,505	27,503
	-----	-----
Total current liabilities	9,443,949	5,576,453
	-----	-----
Stockholders' equity		
Common stock, \$10 par value		

Authorized - 2,500 shares		
Issued and outstanding, 1,700 shares	14,330	14,330
Additional paid-in capital	63,860	63,860
Retained earnings	4,304,773	3,792,284
	-----	-----
	4,382,963	3,870,474
	-----	-----
	\$ 13,826,912	\$ 9,446,927
	=====	=====

</TABLE>

The accompanying accountants' notes are an integral part of these financial statements

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THE RED CALLIOPE & ASSOCIATES INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS

<TABLE>  
<CAPTION>

	YEAR ENDED			
	JUNE 30, 1995		JUNE 30, 1994	
	Amount	% of Sales	Amount	% of Sales
	<C>	<C>	<C>	<C>
Gross sales	\$28,595,082	104.6	\$ 22,371,989	103.4
Rebates and discounts	450,791	1.6	300,227	1.4
Returns and allowances	806,637	3.0	433,410	2.0
	-----	-----	-----	-----
Net sales	27,337,654	100.0	21,638,352	100.0
Cost of sales	17,583,155	64.3	14,510,226	67.1
	-----	-----	-----	-----
Gross profit	9,754,499	35.7	7,128,126	32.9
	-----	-----	-----	-----
Operating expenses				
Design and royalty	2,010,048	7.4	978,088	4.5
Shipping	1,563,059	5.7	1,075,944	4.9
Selling	1,972,593	7.2	1,460,346	6.8
General and administrative	2,415,061	8.8	2,137,156	9.9
	-----	-----	-----	-----
	7,960,761	29.1	5,651,534	26.1
	-----	-----	-----	-----
Income from operations	1,793,738	6.6	1,476,592	6.8
	-----	-----	-----	-----
Other income(expense)				
Interest expense	(450,774)	(1.7)	(268,906)	(1.3)
Interest income	48,119	.2	43,244	.2
Royalty income	108,166	.4	148,598	.7
Reserve for bad debt(Note 4)	(30,000)	(.1)	(30,000)	(.1)
Other income	66,740	.2	-	-
	-----	-----	-----	-----

	(257,749)	(1.0)	(107,064)	(.5)
Net income before provision for income taxes	1,535,989	5.6	1,369,528	6.3
Provision(credit)for income taxes				
Current	23,500	.1	35,800	.1
Deferred	-	-	(1,500)	-
	23,500	.1	34,300	.1
Net income	1,512,489	5.5	1,335,228	6.2
Retained earnings, beginning of period	3,792,284		3,157,056	
Distributions	1,000,000		700,000	
Retained earnings, end of period	\$ 4,304,773		\$ 3,792,284	

</TABLE>

The accompanying accountants notes are an integral part of these financial statements

THE RED CALLIOPE & ASSOCIATES, INC.  
STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	YEAR ENDED	
	JUNE 30, 1995	JUNE 30, 1994
	<C>	<C>
Cash flows from operating activities		
Net income	\$ 1,512,489	\$ 1,335,228
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	115,927	117,118
Reserve for bad debt	30,000	30,000
(Increase) decrease in trade accounts receivable	(1,195,833)	(5,435)
(Increase) decrease in inventories	(3,193,786)	(544,367)
(Increase) decrease in prepaid expenses	41,417	(100,029)
(Increase) decrease in accrued interest receivable	(48,052)	(42,615)
(Increase) decrease in accrued royalties receivable	13,082	2,532
(Increase) decrease in accounts receivable other	54,782	70,318
(Increase) decrease in loan origination fee	-	(22,500)
(Increase) decrease in deposits	(6,120)	(2,125)
(Increase) decrease in deferred taxes	-	(1,500)
Increase (decrease) in trade accounts payable	861,657	459,198
Increase (decrease) in accrued liabilities	660,267	1,728
Increase (decrease) in income taxes payable	2,002	22,800

Net cash provided (used) by operating activities	(1,152,168)	1,320,351
-----		
Cash flows from investing activities		
Purchases of property and equipment	(45,277)	(119,361)
Proceeds from short-term notes receivable	-	8,000
Increase in short term notes receivable	-	(55,000)
-----		
Net cash used by investing activities	(45,277)	(166,361)
-----		
Cash flows from financing activities		
Increase (Decrease)in short-term debt	2,343,570	(342,918)
Stockholders' distributions	(1,000,000)	(700,000)
-----		
Net cash provided (used) by financing activities	1,343,570	(1,042,918)
-----		
Net increase (decrease) in cash	146,125	111,072
Cash beginning of year	121,244	10,172
-----		
Cash at end of period	\$ 267,369	\$ 121,244
=====		
Supplemental disclosures of cash flow information		
Interest paid (net of amounts)	\$ 402,655	\$ 255,662
=====		
Taxes	\$ 21,498	\$ 23,460
=====		

</TABLE>

The accompanying accountants' notes are an integral part of these financial statements

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THE RED CALLIOPE & ASSOCIATES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1995 AND 1994

1. Summary of significant accounting policies

This summary of significant accounting policies of Red Calliope & Associates, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and the notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Business Activity** - The Company manufactures infant bedding products. The Company's products are sold to major department stores and to independent juvenile bedding stores through independent sales representatives. The Company grants credit to customers in the juvenile bedding industry throughout the nation. Consequently the company's ability to collect the amounts due from customers is affected by economic fluctuations in the juvenile bedding industry.

**Inventories** - Inventories are stated at lower of cost or market.



Cost is determined by the first-in, first-out method of accounting.

Depreciation - Furniture, fixtures and equipment are stated at cost. Depreciation is provided over their estimated useful lives using the straight-line method of accounting. Repairs that do not materially extend the useful life of equipment are charged to operations.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across different industries and geographic areas. As of June 30, 1995 the Company had no significant concentrations of credit risk.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

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THE RED CALLIOPE & ASSOCIATES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1995 AND 1994

2. Inventories

-----

Inventories are summarized  
as follows:

<TABLE>  
<CAPTION>

	JUNE 30,	
	1995	1994
<S>	<C>	<C>
Raw materials	\$ 4,316,065	\$ 3,155,318
Finished goods	3,631,455	1,598,416
	-----	-----
	\$ 7,947,520	\$ 4,753,734
	=====	=====

3. Notes receivable, officers

-----

Notes receivable, officers, unsecured with interest at 10%, due on demand.	\$ 180,510	\$ 180,510
	=====	=====

4. Note receivable, officer

-----

The officer is involved in litigation. It is probable that the note will not be collectible. An allowance for doubtful accounts

has been made for the related accrued interest income for \$131,750 and \$101,750 respectively.

Note receivable, officer, with interest at 10% due on demand	\$ 300,000	\$ 300,000
Allowance for doubtful account	(300,000)	(300,000)
	<u>-----</u>	<u>-----</u>
	\$ -	\$ -
	<u>=====</u>	<u>=====</u>

5. Furniture, fixtures and equipment

Furniture, fixtures and equipment are summarized as follows:

	March 31,		
	1995	1994	Estimated Useful Life
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Computer equipment	\$ 232,907	\$ 202,057	5 years
Furniture and fixtures	41,039	59,280	4-7 years
Machinery and equipment	521,559	595,290	4-7 years
Leasehold improvements	49,004	42,254	3-5 years
	<u>-----</u>	<u>-----</u>	
	844,509	903,881	
Less: accumulated depreciation	641,883	653,105	
	<u>-----</u>	<u>-----</u>	
	\$ 202,626	\$ 250,776	
	<u>=====</u>	<u>=====</u>	
Current depreciation	\$ 93,427	\$ 81,493	
	<u>=====</u>	<u>=====</u>	

</TABLE>

THE RED CALLIOPE & ASSOCIATES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 1995 AND 1994

<TABLE>  
 <CAPTION>

6. Notes payable, bank

	JUNE 31,	
	1995	1994
	<u>-----</u>	<u>-----</u>
	<C>	<C>
The Company has a revolving line of credit secured by accounts receivable and finished goods inventory. The terms of the agreement permit borrowing to \$5,000,000 and \$3,000,000 at prime plus 2.00% maturing February 1996 and 1995 respectively.	\$ 4,998,134	\$ 2,654,564
	<u>=====</u>	<u>=====</u>

</TABLE>

7. Income taxes

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The Company has elected by unanimous consent of its stockholders' to be taxed under the provision for Subchapter S of the Internal Revenue Code for both federal and state purposes. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead the stockholders' are liable for individual federal income taxes on their respective share of the Company's taxable income. The Company is, however, subject to a state franchise tax based on 1.5% of the Company's taxable income.

8. Commitments

-----

The Company is obligated under a long-term, non-capitalized lease for its premises which expires March 31, 1996. Annual lease payments, exclusive of property taxes and insurance are summarized as follows:

<TABLE>

<S> Year Ended -----	<C>
June 30, 1996	\$ 169,806 -----
	\$ 169,806 =====

</TABLE>

9. Subsequent events

The Company is in negotiation and has signed a letter of intent regarding the Company's possible acquisition by another company.

SUPPLEMENTARY INFORMATION

THE RED CALLIOPE & ASSOCIATES, INC.  
SUMMARY OF COST OF SALES, DESIGN AND ROYALTY AND SHIPPING EXPENSES

<TABLE>  
<CAPTION>

	YEAR ENDED			
	----- JUNE 30, 1995		----- JUNE 30, 1994	
	% of	% of		
	Amount	Sales	Amount	Sales
	-----		-----	
<S>	<C>	<C>	<C>	<C>
Cost of sales				
Inventories, beginning				
of period	\$ 4,753,734	17.4	\$ 4,209,367	19.5

Purchases	13,367,917	48.9	9,394,471	43.4
Contract labor				
Manufacturing	5,347,496	19.6	4,123,137	19.1
Packaging	271,436	1.0	159,454	.7
Manufacturing labor	202,785	.7	214,574	1.0
Packaging labor	206,980	.8	194,461	.9
Depreciation	54,952	.2	53,108	.3
Payroll taxes	46,344	.2	32,367	.2
Repairs and maintenance	28,092	.1	26,534	.1
Rent	201,984	.7	158,925	.7
Shop supplies	63,676	.2	22,381	.1
Quality control salaries	84,371	.3	-	-
Packaging supplies	900,908	3.3	675,181	3.1
	-----	-----	-----	-----
	25,530,675	93.4	19,263,960	89.1
Less: inventories, end of period	7,947,520	29.1	4,753,734	22.0
	-----	-----	-----	-----
	\$ 17,583,155	64.3	\$ 14,510,226	67.1
	=====	=====	=====	=====

Design and royalty expenses

Artwork	\$ 97,835	.4	\$ 88,109	.4
Design salaries	131,401	.5	98,072	.5
Payroll taxes	11,157	-	6,326	-
Royalties	1,725,213	6.3	722,141	3.3
Samples	44,442	.2	63,440	.3
	-----	-----	-----	-----
	\$ 2,010,048	7.4	\$ 978,088	4.5
	=====	=====	=====	=====

Shipping Expenses

Freight-out	\$ 487,325	1.8	\$ 328,333	1.5
Payroll taxes	31,288	.1	27,438	.1
Shipping salaries	439,623	1.6	342,789	1.6
Shipping supplies	604,823	2.2	377,384	1.7
	-----	-----	-----	-----
	\$ 1,563,059	5.7	\$ 1,075,944	4.9
	=====	=====	=====	=====

</TABLE>

The accompanying accountants' notes are integral part of these financial statements

THE RED CALLIOPE & ASSOCIATES, INC.  
SUMMARY OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

<TABLE>  
<CAPTION>

	YEAR ENDED			
	JUNE 30, 1995		JUNE 30, 1994	
	% of	% of		
	Amount	Sales	Amount	Sales
	-----	-----	-----	-----
Selling expenses	<C>	<C>	<C>	<C>
Advertising	\$ 106,676	.4	\$ 87,887	.4

Commissions	1,605,738	5.9	1,152,859	5.3
Entertainment	9,855	-	8,318	-
Marketing expense	14,797	.1	13,399	.1
Selling and catalog expense	78,217	.3	59,335	.3
Trade shows	90,445	.3	44,208	.2
Travel	66,865	.2	94,340	.5
	-----	----	-----	----
	\$ 1,972,593	7.2	\$ 1,460,346	6.8
	=====	=====	=====	=====

General and administrative expenses

Amortization	\$ 22,500	.1	\$ 35,625	.2
Automotive	39,992	.1	34,111	.2
Collection costs	5,271	-	2,060	-
Computer expense	25,782	.1	23,995	.1
Contributions	2,375	-	948	-
Depreciation	38,475	.1	28,385	.1
Dues & subscriptions	5,585	-	6,885	-
Employee benefits	36,703	.1	-	-
Insurance - group	103,176	.4	103,948	.5
- general	152,628	.6	141,071	.7
Office supplies and expense	78,794	.3	53,647	.3
Payroll taxes	78,348	.3	66,260	.3
Postage	45,962	.2	28,083	.1
Professional fees	166,320	.6	83,406	.4
Provision for bad debts	52,536	.2	62,165	.3
Quality control	-	-	2,066	-
Rent	127,699	.5	109,574	.5
Salaries - office	333,449	1.2	294,955	1.4
- officers'/shareholders	673,304	2.5	636,425	2.9
- officers'/other	289,009	1.0	265,955	1.2
Taxes and licenses	8,472	-	23,708	.1
Telephone and utilities	128,681	.5	133,884	.6
	-----	----	-----	----
	\$ 2,415,061	8.8	\$ 2,137,156	9.9
	=====	=====	=====	=====

</TABLE>

The accompanying accountants' notes are integral part of these financial statements

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
JULY 2, 1995  
(DOLLARS IN 1,000'S)

<TABLE>  
<CAPTION>

	Crown Crafts, Inc. Historical	RCA Historical	Pro Forma Adjustments	Company Pro Forma
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Current Assets:				
Cash	\$ 423	\$ 267		\$ 690
Accounts Receivable		17,143	5,655	\$ (698) 22,100
Inventories	55,856	7,948		63,804

Deferred Income Taxes	735	14	749	
Other Current Assets	2,259	110	2,369	
	-----	-----	-----	-----
Total Current Assets	76,416	13,994	(698)	89,712
	-----	-----	-----	-----
Property, Plant and Equipment-net	66,978	203		67,181
	-----	-----	-----	-----
Other Assets	4,291	62	11,185	15,538
	-----	-----	-----	-----
TOTAL ASSETS	\$147,685	\$14,259	\$10,487	\$172,431
	=====	=====	=====	=====

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current Liabilities:

Notes Payable	\$ 25,665	\$ 4,998	\$ 5,779	\$ 36,442
Accounts Payable	14,249	3,010		17,259
Income Taxes Payable	908	30		938
Accrued Liabilities	4,526	1,406		5,932
Current Maturities of Long-Term Debt		5,502		5,502
	-----	-----	-----	-----
Total Current Liabilities	50,850	9,444	\$ 5,779	66,073
	-----	-----	-----	-----
Long-Term Debt	3,312		\$ 9,523	12,835
	-----	-----	-----	-----
Deferred Income Taxes	5,208			5,208
	-----	-----	-----	-----
Other Liabilities	661			661
	-----	-----	-----	-----
Shareholder's Equity				
Common Stock	9,045	14	(14)	9,045
Additional Paid-In-Capital	34,299	64	(64)	34,299
Retained Earnings	51,551	4,737	(4,737)	51,551
Common Stock Held in Treasury		(7,241)		(7,241)
	-----	-----	-----	-----
Total Shareholders' Equity	87,654	4,815	(4,815)	87,654
	-----	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$147,685	\$14,259	\$10,487	\$172,431
	=====	=====	=====	=====

</TABLE>

See Notes to Pro Forma Condensed Consolidated Balanced Sheet

#### NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

1. The RCA historical balance for accounts receivable has been adjusted from the amount reported in its June 30, 1995 audited financial statements to include \$432,000 of notes receivable and accrued interest due from an officer/shareholder of RCA. This amount had been considered uncollectible and was fully reserved at June 30, 1995, however, it will be collected from the proceeds received by the officer/shareholder for the sale of his stock in RCA.
2. The reduction in accounts receivable represents the repayment of notes receivable from shareholders.
3. The increase in other assets represents the unallocated excess of purchase price over net assets acquired. The Company believes that

substantially all of the excess will be allocated to goodwill and will be amortized over a period of 20 years.

4. The increase in notes payable and long term debt represents the additional debt incurred by the Company to finance the purchase price of \$16,000,000.00, including fees and expenses less the repayment of notes receivable from shareholders.
5. The adjustments to shareholders' equity represent the elimination of the shareholders' equity accounts of RCA.

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
YEAR ENDED APRIL 2, 1995  
(DOLLARS IN 1,000'S, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	Crown Crafts, Inc. Historical	RCA Historical	Pro Forma Adjustments	Company Pro Forma
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 210,963	\$27,338		\$ 238,301
Cost of Sales	164,232	21,048		185,280
Gross Profit	46,731	6,290		53,021
Marketing and Administrative Expense	27,848	4,418		32,266
Earnings From Operations	18,883		1,872	20,755
Other Income (Expense):				
Interest Expense	(1,992)	(451)	(\$926)	(3,369)
Other - Net	589	115	(559)	145
Earnings Before Income Taxes	17,480		1,536	(1,485)
Provisions For Income Taxes	6,430		614	(370)
Net Earnings	\$ 11,050	\$ 922	(\$1,115)	\$ 10,857
Net Earnings Per Share	\$ 1.31			\$ 1.28
Average Shares Outstanding	8,457,333			8,457,333

</TABLE>

See Notes to Pro Forma Condensed Consolidated Statement of Earnings

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1. The RCA was an S Corporation and therefore not subject to corporate federal income taxes. After the acquisition, RCA's income will become subject to federal income taxes as part of the Company's consolidated federal income tax return. The RCA historical balances have been adjusted to reflect provisions for income taxes using a combined federal and state income tax rate of 40%.
2. The increase in interest expense represents interest on the acquisition debt for the year ended April 2, 1995 as if the transaction had occurred on April 4, 1994. Interest expense was computed based on an assumed rate of 7.27%, the Company's borrowing rate on its long-term note agreement which closed October 12, 1995. The increased interest expense was partially offset by the interest expense reduction on the average outstanding short-term borrowings of RCA attributable to the lower short-term borrowing rate of the Company. The RCA average short-term borrowing rate for the period was 10.5% compared to 5.6% for the Company.
3. The adjustment to other - net represents the quarterly amortization of goodwill over a life of 20 years.
4. The reduction of the provisions for income taxes represents the tax savings attributable to the increase in interest expense based on a combined federal and state income tax rate of 40%.
5. Certain amounts from the RCA June 30, 1995 financial statements have been reclassified to conform to the Crown Crafts, Inc. classification for these items.

4

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
 QUARTER ENDED JULY 2, 1995  
 (DOLLARS IN 1,000'S, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
 <CAPTION>

	Crown Crafts Historical	RCA Historical	Pro Forma Adjustments	Company Pro Forma
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 39,207	\$7,553		\$ 46,760
Cost of Sales	31,656	5,742		37,398
Gross Profit	7,551	1,811		9,362
Marketing and Administrative Expense	6,494	1,279		7,773
Earnings From Operations		1,057	532	1,589
Other Income (Expense):				
Interest Expense		(529)	(151)	(903)
Other - Net	200	12	(140)	72
Earnings Before Income Taxes		728	393	(363) 758
Provisions For Income Taxes		272	157	(89) 340



Net Earnings	\$ 456	\$ 236	(\$274)	\$ 418
Net Earnings Per Share	\$ 0.05		\$ 0.05	
Average Shares Outstanding	8,565,429		8,565,429	

</TABLE>

See Notes to Pro Forma Condensed Consolidated Statement of Earnings

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#### NOTES TO PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

1. The RCA was an S Corporation and therefore not subject to corporate federal income taxes. After the acquisition, RCA's income will become subject to federal income taxes as part of the Company's consolidated federal income tax return. The RCA historical balances have been adjusted to reflect provisions for income taxes using a combined federal and state income tax rate of 40%.
2. The increase in interest expense represents interest on the acquisition debt for the quarter ended July 2, 1995 as if the transaction had occurred on April 4, 1994. Interest expense was computed based on an assumed rate of 7.27%, the Company's borrowing rate on its long-term note agreement which closed October 12, 1995. The increased interest expense was partially offset by the interest expense reduction on the average outstanding short-term borrowings of RCA attributable to the lower short-term borrowing rate of the Company. The RCA average short-term borrowing rate for the period was 11.0% compared to 6.6% for the Company.
3. The adjustment to other - net represents the quarterly amortization of goodwill over a life of 20 years.
4. The reduction of the provisions for income taxes represents the tax savings attributable to the increase in interest expense based on a combined federal and state income tax rate of 40%.
5. Certain amounts from the RCA financial statements have been reclassified to conform to the Crown Crafts, Inc. classification for these items.

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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/ ROBERT E. SCHNELLE

-----  
Name: Robert E. Schnelle  
Title: Treasurer

Dated: November 13, 1995

#### EXHIBIT INDEX

Exhibit No. -----	Exhibit Description -----
Exhibit No. 2.1	Merger Agreement
Exhibit No. 2.2	Amendment No. 1 to Merger Agreement
Exhibit No. 10.1	Consulting Agreement*
Exhibit No. 10.2	Employment Agreement (Fohrman)*
Exhibit No. 10.3	Employment Agreement (Freeman)*
Exhibit No. 10.4	Tax Reporting Agreement*
Exhibit No. 10.5	Disbursement Agreement*
Exhibit No. 10.6	Promissory Note (Fohrman)
Exhibit No. 10.7	Promissory Note (Tannenbaum)
Exhibit No. 23	Consent of Lederman, Zeidler & Co.
Exhibit No. 99	Press Release

EXHIBIT 2.1

MERGER AGREEMENT  
BETWEEN AND AMONG  
CROWN CRAFTS, INC. AND  
CC ACQUISITION CORP.  
AND  
NEAL FOHRMAN  
AND  
STANLEY GLICKMAN  
AND  
THE RED CALLIOPE AND ASSOCIATES, INC.  
AS OF OCTOBER 8, 1995

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- EXHIBITS: EXHIBIT A - Carol Glickman Consulting Agreement
- EXHIBIT B - Neal Fohrman Employment Agreement
- EXHIBIT C - Nanci Freeman Employment Agreement
- EXHIBIT D - Tax Reporting Agreement
- EXHIBIT E - Disbursement Agreement

MERGER AGREEMENT

THIS MERGER AGREEMENT, dated as of October 8, 1995 (this "Agreement"), by and among CROWN CRAFTS, INC., a Georgia corporation ("Crown Crafts"), CC ACQUISITION CORP., a California corporation and a wholly owned subsidiary of Crown Crafts ("Merger Sub"), THE RED CALLIOPE AND ASSOCIATES, INC., a California corporation ("Red Calliope" or the "Company"), STANLEY GLICKMAN, an individual resident of the State of California ("Mr. Glickman"), and NEAL FOHRMAN, an individual resident of the State of California ("Mr. Fohrman").

WITNESSETH:

WHEREAS, the respective Boards of Directors of Crown Crafts, Merger Sub and Red Calliope have approved this Agreement and the merger (the "Merger") of Merger Sub with and into Red Calliope upon the terms and conditions contained herein and in accordance with the California General Corporation Law (the "CGCL");

WHEREAS, the respective Boards of Directors of Crown Crafts, Merger Sub and Red Calliope have determined that it is in the best interests of their respective shareholders to consummate the Merger;

WHEREAS, Crown Crafts, as the sole shareholder of Merger Sub, has approved this Agreement, the Merger and the transactions contemplated hereby pursuant to action taken by unanimous written consent in accordance with the requirements of the CBCC and the Articles of Incorporation and the Bylaws of Merger Sub;

WHEREAS, the shareholders of Red Calliope have approved this Agreement, the Merger and the transactions contemplated hereby pursuant to action by written consent in accordance with the requirements of the CGCL and the Articles of Incorporation and Bylaws of Red Calliope; and

WHEREAS, the parties hereto desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated herein;

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

ARTICLE 1  
DEFINITIONS

The following words and terms as used herein shall have the following meanings. Whenever used in this Agreement, any noun or pronoun shall be deemed to include both the singular and plural and to cover all genders. The name assigned this Agreement and the section captions used herein are for convenience of reference only and shall not affect the interpretation or construction hereof. Unless otherwise specified, the terms "hereof," "herein" and similar terms refer to this Agreement as a whole, and references herein to Articles or Sections refer to Articles or Sections of this Agreement.

"Adjustment Amount" means an amount equal to the sum of X and Y where X equals (i) \$2,000,000, (ii) plus (a) the amount

by which Closing Retained Earnings are greater than the Target Amount or minus (b) the amount by which Closing Retained Earnings are less than the Target Amount, as the case may be, minus (iii) 50% of the costs and expenses of the Arbitrator incurred by Crown Crafts pursuant to the last sentence of Section 3.5(B), minus (iv) an amount equal to the sum of all costs and expenses (including, without limitation, interest, penalties, costs of investigation and defense and reasonable attorneys' and other professional fees and expenses), payments pursuant to any settlement or judgment, and payments under Chapter 13 of the CGCL incurred or made by Crown Crafts or incurred or made after the Effective Time by the Surviving Corporation in any litigation (other than Title Litigation) or appraisal proceedings arising out of or relating to the Merger (the "Merger Litigation"), net of any such Merger Litigation costs, expenses and payments reimbursed to Crown Crafts pursuant to Section 7.1(A) or reimbursed to Crown Crafts by any other party to the Merger Litigation, plus (v) if there is a Dissenting Shareholder, (a) the amount set forth in the "Closing Payment" column opposite the name of such Dissenting Shareholder on Schedule 3.1 hereto if the Extension Grant Date has not occurred prior to the Closing or (b) the amount set forth in the "Adjusted Closing Payment" column opposite such Dissenting Shareholder's name on Schedule 3.1 hereto if the Extension Grant Date has occurred prior to the Closing, minus (vi) an amount equal to the sum of all costs and expenses (including, without limitation, costs of investigation and reasonable attorneys' and other professional fees and expenses) incurred by Crown Crafts in the defense of any Title Litigation, but (except as otherwise provided in clause (ix) below) excluding any amounts paid in settlement of or as a judgment, penalty or interest awarded in any Title Litigation, net of any Title Litigation costs and expenses reimbursed pursuant to the Disbursement Agreement or reimbursed by any other party to the Title Litigation, minus (vii) any amounts paid by the Surviving Corporation pursuant to Section 6.14 hereof, minus (viii) any amounts paid by the Surviving Corporation pursuant to Section 2.3 of the Tax Reporting Agreement, minus (ix) the lesser of (a) any amount that Crown Crafts is required to pay in any Title Litigation to any Person due to the payment by Crown Crafts to Trust A (as that term is defined in the Disbursement Agreement) and/or the estate of Elliot R. Fine pursuant to the Disbursement Agreement or (b) \$130,000, net of any such amount that is reimbursed to Crown Crafts by any other Person; and Y equals the amount of simple interest that would accrue at the rate of 7.0% per annum on an amount equal to X from and including the Closing Date to the date of payment of the Adjustment Amount pursuant to Section 3.4(A)(ii); provided that in no event shall the Adjustment Amount be less than zero.

"Adjustment Amount Release Date" means the later of (i) the preparation of the Closing Balance Sheet and the final resolution of all Disputed Matters pursuant to Section 3.5(B) (the "Closing Balance Sheet Resolution Date"), (ii) the final, non-appealable resolution of all Merger Litigation, (iii) the final, non-appealable resolution of all Title Litigation, or (iv) the filing with the IRS of all pre-Closing tax returns pursuant to Section 2 of the Tax Reporting Agreement (the "Required Tax Returns"), provided that if there is no Merger Litigation and Title Litigation pending or threatened as of the later of (1) the Closing Balance Sheet Resolution Date or (2) the date of filing of the last of the Required Tax Returns, then the later of such filing date or the Closing Balance Sheet Resolution Date shall be the Adjustment Amount Release Date.

"Agreement" means this Merger Agreement.

"Ancillary Agreements" means the Employment Agreements

(as defined in Sections 8.12) and the Tax Reporting Agreement.

"Arbitrator" has the meaning set forth in Section 3.5(B).

"Assets" means all of the Company's assets, properties, business, goodwill and rights of every kind and description, real and personal, tangible and intangible, wherever situated and whether or not reflected on the Closing Balance Sheet.

"Benefit Plan" has the meaning set forth in Section 4.25(A).

"Business" means the existing business, operations, facilities and other Assets, financial condition, results of operations, finances, markets, products, competitive position, raw materials and other supplies, customers and customer relations and personnel of the Company.

"Business Day" means any calendar day which is not a Saturday, Sunday or public holiday under the Laws of California.

"CERCLA" has the meaning set forth in the definition of "Environmental Laws."

"Certificate" means a stock certificate that immediately prior to the Effective Time evidenced shares of Red Calliope Stock.

"Certificate of Merger" has the meaning set forth in Section 2.6.

"CGCL" has the meaning set forth in the first recital hereto.

"Claim" means any action, administrative or other proceeding, arbitration, cause of action, claim, complaint, demand, criminal prosecution, inquiry, hearing, investigation (governmental or otherwise), litigation, notice (written or oral) by any Person alleging potential liability relating to or affecting the Company, the Business, the Assets (including, without limitation, Contracts relating to the Company), the Leased Real Property or the transactions contemplated by this Agreement.

"Claim Notice" has the meaning set forth in Section 7.2(A)(i).

"Closing" has the meaning set forth in Section 2.6.

"Closing Balance Sheet" has the meaning set forth in Section 3.5(A).

"Closing Date" has the meaning set forth in Section 2.6.

"Closing Retained Earnings" means an amount equal to the excess of (i) total assets of the Company as of the close of business on the Closing Date, over (ii) total liabilities and paid-in capital of the Company as of the close of business on the Closing Date. As used in this

paragraph, the terms "total assets" and "total liabilities" mean the aggregate amount of all assets and liabilities, respectively, of the Company (whether classifiable in accordance with GAAP as current or long-term) and the term "paid-in capital" means the total par value of the Shares plus additional paid-in capital of the Company, all as determined in accordance with GAAP and



applied on a basis consistent with the Latest Year-End Balance Sheet, except that Closing Retained Earnings shall not include any income attributable to the repayment (or deemed repayment) of any Shareholder Obligations.

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

"Company" has the meaning set forth in the Preamble hereto.

"Contract" means any written or oral contract, agreement, lease, plan, instrument, purchase order or other document, commitment, arrangement, undertaking, practice or authorization that is binding on any Person or its property under applicable Law.

"Copyrights" means registered copyrights, copyright applications and unregistered copyrights.

"Court Order" means any judgment, decree, injunction, order or ruling of any federal, state or local court or governmental or regulatory body or authority that is binding on any Person or its property under applicable Law.

"Crown Crafts" has the meaning set forth in the Preamble hereto.

"Default" means (i) a breach of or default under any Contract, (ii) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of or default under any Contract, or (iii) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right of termination, renegotiation or acceleration under any Contract.

"Disbursement Agreement" has the meaning set forth in Section 8.15.

"Disclosure Schedule" means the Disclosure Schedule dated as of the date hereof delivered by the Company to Crown Crafts setting forth the information called for by Section 4 hereof.

"Disputed Matters" has the meaning set forth in Section 3.5(B).

"Dissenting Shareholder" has the meaning set forth in Section 3.2.

"Dissenting Shares" means any shares of Red Calliope Stock with respect to which the holder thereof has perfected appraisal rights under Chapter 13 of the CGCL prior to the Closing Date.

"Effective Time" has the meaning set forth in Section 2.6.

"Environmental Claim" means any Claim against the Company, the Business or the Assets (including, without limitation, notice or other communication written or oral by any Person alleging potential liability for investigatory costs, cleanup costs, private or governmental response or remedial costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based upon, or resulting from (i) any Environmental Matter or (ii) any circumstances or state of facts forming the basis of any Liability or alleged Liability under, or violation or alleged violation of, any Environmental Law.

"Environmental Laws" means all Laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended, 41 U.S.C. 9601 et seq. ("CERCLA"), the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq. ("RCRA"), and other Laws relating to emissions, discharges, releases or threatened releases of any Hazardous Substance, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of any Hazardous Substances.

"Environmental Matter" means any matter or circumstances related in any manner whatsoever to (i) the emission, discharge, disposal, release or threatened release of any Hazardous Substance into the environment, or (ii) the transportation, treatment, storage, recycling or other handling of any Hazardous Substance or (iii) the placement of structures or materials into waters of the United States, or (iv) the presence of any Hazardous Substance, including, but not limited to, asbestos, in any building, structure or workplace or on any of the Leased Real Property.

"Environmental Reserve" means an amount equal to (i) \$75,000 minus (ii) the costs incurred prior to June 1, 1996 by the Surviving Corporation pursuant to Section 6.13, provided that the Environmental Reserve shall not be less than zero.

"ERISA" has the meaning set forth in Section 4.25(A).

"Extension Grant Date" means the date, if any, on which the IRS (i) grants to the Company an extension of time to file consents to an election on Form 2553 pursuant to Treas. Reg. Section 1.1362-6(b)(3)(iii) and (ii) accepts such consents to election signed by Mr. Glickman, Mrs. Glickman, and Elliot Fine.

"GAAP" means generally accepted accounting principles consistently applied.

"Governmental Authority" means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority, board or body.

"Hazardous Substance" means (i) any hazardous substance, hazardous material, hazardous waste, regulated substance or toxic substance (as those terms are defined by any applicable Environmental Laws) and (ii) any chemicals, pollutants, contaminants, petroleum, petroleum products, or oil.

"Intellectual Property" means copyrights, graphic designs, Patents, Trademarks, technology rights and licenses, computer software (including without limitation any source or object codes

therefor or documentation relating thereto), trade secrets, franchises, know-how, product specifications, inventions and intellectual property rights.

"Interested Party" means any of Mr. Fohrman, Mr. Glickman, Mrs. Glickman, Robert Mann, as executor of the estate of Elliot Fine, Edward Tannenbaum, R. Todd Neilson, as Resolution Agent for Reorganized Property Mortgage Co., Inc., and the legal successor of any of the foregoing.

"IRS" means the Internal Revenue Service.

"Latest Year-End Balance Sheet" has the meaning set forth in Section 4.7.

"Law" means the common law of any applicable jurisdiction and any code, law, order, ordinance, regulation, rule or statute of any Governmental Authority.

"Leased Real Property" means the real property leased or subleased by the Company, as tenant, together with, to the extent leased by the Company, all buildings and other structures, facilities or improvements currently located thereon, all fixtures, systems, equipment and items of personal property of the Company attached or appurtenant thereto, and all easements, licenses, rights and appurtenances relating to the foregoing.

"Leases" means the leases or subleases for the Leased Real Property, copies of which have been made available by the Company to Crown Crafts.

"Liability" means any direct or indirect liability, indebtedness, obligation, expense, Claim, deficiency, guaranty or endorsement of or by any Person (other than endorsements of notes, bills and checks presented to banks for collection or deposit) of any type, whether accrued, absolute, contingent, matured, unmatured or other.

"Licenses" means licenses, franchises, permits, easements, rights and other authorizations.

"Lien" means any mortgage, lien, security interest, pledge, encumbrance, restriction on transferability, defect of title, charge or Claim of any nature whatsoever on any property or property interest.

"Lienholder" means the holder of or other Person entitled to any benefits arising under any Lien.

"Litigation" means any lawsuit, action, arbitration, administrative or other proceeding, criminal prosecution or governmental investigation or inquiry involving or affecting the Company, the Business, the Assets or any Contracts to which the Company is a party or by which it or any of the Assets or the Business may be bound or affected.

"Losses" has the meaning set forth in Section 7.1.

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"Material Adverse Effect" means any change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business or operations of the Company, the Business or the Assets taken as a whole.

"Merger" has the meaning set forth in the first recital hereto.

"Merger Litigation" has the meaning set forth in the definition of "Adjustment Amount."

"Merger Sub" has the meaning set forth in the Preamble hereto.

"Mr. Fohrman" has the meaning set forth in the Preamble hereto.

"Mr. Glickman" has the meaning set forth in the Preamble hereto.

"Mrs. Glickman" means Carol Glickman.

"Ms. Freeman" has the meaning set forth in Section 8.12.

"Noncompete Period" has the meaning set forth in Section 6.7.

"Note" means a promissory note made by Crown Crafts and delivered pursuant to Section 3.4(A)(i) or 3.4(A)(ii) providing for (i) simple interest on the principal amount thereof at the annual rate of 6.25%, (ii) all principal and accrued interest to be due and payable by wire transfer of immediately available funds on January 10, 1996, and (iii) such other terms as Crown Crafts and Red Calliope may agree upon prior to the Closing Date.

"Notice Period" has the meaning set forth in Section 7.2(A)(i).

"Patents" means all patents and patent applications.

"Pension Benefit Plan" has the meaning set forth in Section 4.25(B).

"Permitted Liens" means (i) statutory liens to secure the performance of obligations, surety or appeal bonds, performance bonds or other obligations of a like nature (including, without limitation, mechanic's, worker's, material provider's and maritime liens) (exclusive of obligations in respect of the payment of borrowed money), or for taxes, assessments or governmental charges or claims, provided that in each case the obligations are not yet delinquent or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and any reserve or other appropriate provision for accounting purposes as shall be required in conformity with GAAP shall have been made therefor, (ii) leases in respect of the real property on which facilities owned or leased by the Company are located, (iii) Liens arising from Uniform Commercial Code financing statements regarding property leased by the Company, (iv) easements, rights-of-way, navigational servitudes, restrictions, minor defects or irregularities in title and other similar charges or encumbrances that do not interfere in any material respect with the ordinary conduct of the business of the Company, and (v) Liens granted by third party lessors or fee owners with respect to real property as to which the Company has a leasehold interest.

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"Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any other syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"RCRA" has the meaning set forth in the definition of "Environmental Laws."

"Red Calliope" has the meaning set forth in the Preamble hereto.

"Red Calliope Stock" means the capital stock of Red Calliope.

"Regulation" means any statute, Law, ordinance, regulation, order or rule of any Governmental Authority, including, without limitation, those covering environmental, energy, safety, health, transportation, bribery, recordkeeping, zoning, antidiscrimination, antitrust, wage and hour, and price and wage control matters.

"Shareholder" means any Person who immediately prior to the Effective Time holds record title to shares of Red Calliope Stock.

"Shareholder Obligations" means all loans made by the Company to any of its shareholders (whether or not any such loan has been reserved against on any balance sheet of the Company) and the accrued interest thereon.

"Shares" has the meaning set forth in Section 4.2.

"Surviving Corporation" has the meaning set forth in Section 2.1.

"Target Amount" means an amount equal to (i) \$4,682,000, plus (ii) an amount equal to (x) \$125,000 multiplied by (y) the number of full calendar months between June 30, 1995, and the Closing Date, plus (iii) if the Closing Date is any day during a calendar month other than the last day of such calendar month, an amount equal to (x) \$125,000 multiplied by (y) a fraction (1) the numerator of which will be the number of days from and including the first day of such calendar month to and including the Closing Date and (2) the denominator of which will be the total number of days in such calendar month.

"Tax Benefit" means any Tax (as defined in the Tax Reporting Agreement) refund that is received by Crown Crafts or the Surviving Corporation, or any amount credited against Tax to which Crown Crafts or the Surviving Corporation becomes entitled, that relates to taxable periods or portions thereof ending on or before the Closing Date.

"Tax Dispute Reserve" means an amount equal to the sum of X and Y where X equals (i) \$100,000, minus (ii) any amounts paid or payable by the Surviving Corporation pursuant to Section 4.5 of the Tax Reporting Agreement, and Y equals the amount of simple interest that would accrue at the Variable Rate on an amount equal to the positive balance (if any) of X from time to time from and including the Closing Date to the date of payment of the Tax Dispute Reserve pursuant to Section 3.4(A); provided that in no event shall the Tax Dispute Reserve be less than zero.

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"Tax Dispute Reserve Release Date" means the first date on which either the Designated Date (as defined below) has occurred or the IRS has completed its audit with respect to each of fiscal years 1992, 1993, 1994 and 1995. For purposes of this Agreement, the Designated Date for fiscal years 1992, 1993, 1994 and 1995 shall be March 15, 1996, 1997, 1998 and 1999, respectively.

"Tax Reporting Agreement" has the meaning set forth in Section 8.13.

"Tax Reserves" means the 1992 Tax Reserve, the 1993 Tax Reserve, the 1994 Tax Reserve and the 1995 Tax Reserve, collectively.

"Third Party" has the meaning set forth in Section 7.2(A)(i).

"Third Party Transaction" means an acquisition of the Company pursuant to a merger, consolidation, share exchange, business combination, tender or exchange offer or other similar transaction.

"Title Litigation" means any Litigation relating to the payment of Merger proceeds to or on behalf of Mr. Glickman or any

of his creditors or affiliates, including, without limitation, any payments made pursuant to the Disbursement Agreement.

"Trademarks" means registered trademarks, registered service marks, trademark and service mark applications and unregistered trademarks and service marks.

"Variable Rate" means (i) the "prime rate" as reported from time to time by Wachovia Bank of Georgia, N.A. minus (ii) 200 basis points.

"1992 Tax Reserve" means an amount equal to the sum of X and Y where X equals (i) \$538,000, minus (ii) all taxes (including interest, penalties and additions to taxes) paid or payable after the Closing Date by the Surviving Corporation to the IRS and the California Franchise Tax Board with respect to the income tax liability of Red Calliope for the fiscal year ended June 30, 1992, and Y equals the amount of simple interest that would accrue at the Variable Rate on an amount equal to the positive balance (if any) of X from time to time from and including the Closing Date to the date of payment of the 1992 Tax Reserve pursuant to Section 3.4(A); provided that in no event shall the 1992 Tax Reserve be less than zero and, provided further, that if the Extension Grant Date occurs prior to the Closing, the 1992 Tax Reserve shall equal zero.

"1993 Tax Reserve" means an amount equal to the sum of X and Y where X equals (i) \$702,000, minus (ii) all taxes (including interest, penalties and additions to taxes) paid or payable after the Closing Date by the Surviving Corporation to the IRS and the California Franchise Tax Board with respect to the income tax liability of Red Calliope for the fiscal year ended June 30, 1993, and Y equals the amount of simple interest that would accrue at the Variable Rate on an amount equal to the positive balance (if any) of X from time to time from and including the Closing Date to the date of payment of the 1993 Tax Reserve pursuant to

Section 3.4(A); provided that in no event shall the 1993 Tax Reserve be less than zero and, provided further, that if the Extension Grant Date occurs prior to the Closing, the 1993 Tax Reserve shall equal zero.

"1994 Tax Reserve" means an amount equal to the sum of X and Y where X equals (i) \$764,000, minus (ii) all taxes (including interest, penalties and additions to taxes) paid or payable after the Closing Date by the Surviving Corporation to the IRS and the California Franchise Tax Board with respect to the income tax liability of Red Calliope for the fiscal year ended June 30, 1994, and Y equals the amount of simple interest that would accrue at the Variable Rate on an amount equal to the positive balance (if any) of X from time to time from and including the Closing Date to the date of payment of the 1994 Tax Reserve pursuant to Section 3.4(A); provided that in no event shall the 1994 Tax Reserve be less than zero and, provided further, that if the Extension Grant Date occurs prior to the Closing, the 1994 Tax Reserve shall equal zero.

"1995 Tax Reserve" means an amount equal to the sum of X and Y where X equals (i) \$829,000, minus (ii) all taxes (including interest, penalties and additions to taxes) paid or payable after the Closing Date by the Surviving Corporation to the IRS and the California Franchise Tax Board with respect to the income tax liability of Red Calliope for the fiscal year ended June 30, 1995, and Y equals the amount of simple interest that would accrue at the Variable Rate on an amount equal to the positive balance (if any) of X from time to time from and including the Closing Date to the date of payment of the 1995 Tax

Reserve pursuant to Section 3.4(A); provided that in no event shall the 1995 Tax Reserve be less than zero and, provided further, that if the Extension Grant Date occurs prior to the Closing, the 1995 Tax Reserve shall equal zero.

## ARTICLE 2 THE MERGER

SECTION 2.1. Surviving Corporation. Subject to the provisions of this Agreement, the CGCL, at the Effective Time, Merger Sub shall be merged with and into Red Calliope and the separate corporate existence of Merger Sub shall cease. Red Calliope shall be the surviving corporation in the Merger (hereinafter sometimes called the "Surviving Corporation") and shall continue its corporate existence under the Laws of the State of California. The Merger shall have the effects set forth in Section 1107 of the CGCL.

SECTION 2.2. Articles of Incorporation. The Articles of Incorporation of Red Calliope as in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Corporation until thereafter duly amended in accordance with their terms and the CGCL.

SECTION 2.3. Bylaws. The Bylaws of Red Calliope as in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Corporation until thereafter duly amended in accordance with their terms and the CGCL.

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SECTION 2.4. Directors. The directors of the Surviving Corporation shall consist of the directors of Merger Sub immediately prior to the Effective Time, such directors to hold office from the Effective Time until their respective successors are duly elected and qualified.

SECTION 2.5. Officers. The officers of the Surviving Corporation shall consist of the officers of Merger Sub immediately prior to the Effective Time, such officers to hold office from the Effective Time until their respective successors are duly elected and qualified.

SECTION 2.6. Closing; Effective Time. The closing of the Merger (the "Closing") shall, unless another date, time or place is agreed to in writing by all parties hereto, take place at the offices of Gibson, Dunn & Crutcher, 333 South Grand Avenue, Los Angeles, California 90071 at 8:00 a.m., Los Angeles time, on October 31, 1995 (the "Closing Date"). If, on or before the Closing Date, all the conditions set forth in Articles 8 and 9 shall have been fulfilled or waived in accordance with the terms hereof and this Agreement shall not have been terminated in accordance with Section 10.3, 10.4 or 10.6, then the parties hereto shall cause a Certificate of Merger meeting the requirements of the CGCL (the "Certificate of Merger") to be properly executed and filed on the Closing Date with the Secretary of State of the State of California. The Merger shall become effective as of the time of filing of the properly executed Certificate of Merger. The date and time when the Merger becomes effective is herein referred to as the "Effective Time."

## ARTICLE 3 CONVERSION OF SHARES

SECTION 3.1. Effect of Merger. As of the Effective Time, by virtue of the Merger and without any action on the part of any holder thereof:

- (i) The shares of Red Calliope Stock of each

Shareholder that are issued and outstanding immediately prior to the Effective Time (other than any Dissenting Shares) shall be converted into the right to receive (x)(1) cash in the amount set forth in the "Closing Payment" column opposite such Shareholder's name on Schedule 3.1 hereto if the Extension Grant Date has not occurred prior to the Closing or (2) cash in the amount set forth in the "Adjusted Closing Payment" column opposite such Shareholder's name on Schedule 3.1 hereto if the Extension Grant Date has occurred prior to the Closing, and (y) cash in an amount equal to (a) the sum of the Adjustment Amount plus the Environmental Reserve plus the Tax Reserves plus the Tax Dispute Reserve plus all Tax Benefits, multiplied by (b) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock of such Shareholder issued and outstanding immediately prior to the Effective Time and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

(ii) Each share of common stock of Merger Sub that is issued and outstanding immediately prior to the Effective Time shall be converted into one (1) share of common stock of the Surviving Corporation;

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(iii) Each share of Red Calliope Stock issued and outstanding immediately prior to the Effective Time that is then held in the treasury of Red Calliope shall be canceled and retired and all rights in respect thereof shall cease to exist, without any conversion thereof or payment of any consideration therefor;

(iv) Each warrant, stock option or other right, if any, to purchase shares of Red Calliope Stock issued and outstanding immediately prior to the Effective Time shall be canceled (whether or not such warrant, option or other right is then exercisable) and all rights in respect thereof shall cease to exist, without any conversion thereof or payment of any consideration therefor; and

(v) Each Shareholder Obligation shall be deemed to have been repaid in full.

SECTION 3.2. Dissenter's Rights. Notwithstanding anything in this Agreement to the contrary, shares of Red Calliope Stock that are issued and outstanding immediately prior to the Effective Time that are held by any Shareholder (a "Dissenting Shareholder") who has delivered a written demand for appraisal of such shares in the manner provided in, and has otherwise complied with, Chapter 13 of the CGCL shall not be converted into the right to receive the consideration provided in Section 3.1 and shall not receive any payment under Section 3.4, unless and until such Dissenting Shareholder shall have failed to perfect or shall have effectively withdrawn or lost his right to appraisal and payment under the CGCL, as the case may be. If such Dissenting Shareholder shall have so failed to have perfected or shall have effectively withdrawn or lost such right, his shares shall no longer be Dissenting Shares and shall thereupon be deemed to have been converted into, at the Effective Time, the right to receive the consideration provided in Section 3.1. Red Calliope shall give Crown Crafts notice of any such demand made by or on behalf of any such Dissenting Shareholder, as provided in Chapter 13 of the CGCL. After the Effective Time, Crown Crafts and the Surviving Corporation shall conduct and



direct all negotiations, proceedings and ultimate disposition with respect to any such demands in any manner that Crown Crafts and the Surviving Corporation may elect, provided that such negotiations, proceedings and disposition shall be conducted by Crown Crafts and the Surviving Corporation in good faith and in a manner reasonably calculated to maximize the Adjustment Amount, and provided further that counsel for Crown Crafts and the Surviving Corporation in connection with such negotiations, proceedings and disposition shall have been approved by Red Calliope prior to the Effective Time.

SECTION 3.3. Closing of Transfer Books. At the Effective Time, the transfer books for Red Calliope Stock shall be closed, and no transfers of shares of Red Calliope Stock shall thereafter be made on such books.

SECTION 3.4. Exchange of Red Calliope Stock.

(A) From and after the Effective Time, each Shareholder (other than a Dissenting Shareholder) shall be entitled to receive, in exchange for a Certificate or Certificates, the following:

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(i) upon (A) surrender to Crown Crafts of such Certificate or Certificates duly endorsed in blank, which shall forthwith be canceled, and (B)(1) in the case of any Shareholder, other than a Shareholder holding a Certificate or Certificates for the benefit of Mr. Glickman, delivery of a duly executed letter, in form and substance reasonably acceptable to Crown Crafts, to the effect that such Shareholder has good title to the Shares represented by such Certificate or Certificates with full power and authority to surrender the same, free and clear of all Liens, (or, if such letter identifies any Lien, delivery of a release by the Lienholder of such Lien, such release to be in form and substance reasonably acceptable to Crown Crafts), or (2) in the case of a Shareholder holding a Certificate or Certificates for the benefit of Mr. Glickman, delivery of a duly executed letter, in form and substance reasonably acceptable to Crown Crafts, to the effect that such Shareholder has good title to the Shares represented by such Certificate or Certificates with full power and authority to surrender the same, free and clear of all Liens other than Liens disclosed in the Disbursement Agreement, a Note (subject to the proviso to this clause (i)) in a principal amount equal to (x)(1) the amount set forth in the "Closing Payment" column opposite such Shareholder's name on Schedule 3.1 hereto if the Extension Grant Date has not occurred prior to the Closing or (2) cash in the amount set forth in the "Adjusted Closing Payment" column opposite such Shareholder's name on Schedule 3.1 hereto if the Extension Grant Date has occurred prior to the Closing, multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places) (1) the numerator of which is the number of shares of Red Calliope Stock evidenced by such Certificate or Certificates and (2) the denominator of which is the total number of shares of Red Calliope Stock issued and outstanding immediately prior to the Effective Time and owned by such Shareholder; provided, however, that, in lieu of a Note, such Shareholder shall receive cash in immediately available funds in an amount equal to the amount payable under this clause (i) if such Shareholder, at the time he approved the Merger, elected to receive such amount in cash rather than a

Note;

(ii) within three Business Days after the Adjustment Amount Release Date, a Note (subject to the proviso to this clause (ii)) in a principal amount equal to (x) the Adjustment Amount multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time; provided, however, that, in lieu of a Note, such Shareholder shall receive cash in immediately available funds in an amount equal to the amount payable under this clause (ii) if either (A) such Shareholder, at the time he approved the Merger, elected to receive such amount in cash rather than a Note or (B) the Adjustment Amount Release Date occurs on or after January 1, 1996;

(iii) on June 5, 1996, a check equal to (x) the Environmental Reserve multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

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(iv) within five Business Days after the Extension Grant Date (unless the Extension Grant Date shall have occurred prior to the Closing), cash in immediately available funds in an amount equal to (x) the Tax Reserves (minus any amounts paid pursuant to clause (v) through (viii) below) multiplied by (y) a fraction (expressed as a percentage carried out to four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

(v) on March 15, 1996, cash in immediately available funds in an amount equal to (x) the 1992 Tax Reserve multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

(vi) on March 15, 1997, cash in immediately available funds in an amount equal to (x) the 1993 Tax Reserve multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the

aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

(vii) on March 15, 1998, cash in immediately available funds in an amount equal to (x) the 1994 Tax Reserve multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

(viii) on March 15, 1999, cash in immediately available funds in an amount equal to (x) the 1995 Tax Reserve multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time;

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(ix) promptly after Crown Crafts or the Surviving Corporation becomes aware that it is entitled to a Tax Benefit, a check equal to (x) such Tax Benefit multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time; and

(x) on the Tax Dispute Reserve Release Date, a check equal to (x) the Tax Dispute Reserve multiplied by (y) a fraction (expressed as a percentage carried out four (4) decimal places), (1) the numerator of which is the number of shares of Red Calliope Stock that immediately prior to the Effective Time were represented by such Certificate or Certificates and (2) the denominator of which is the aggregate number of shares (other than Dissenting Shares) of Red Calliope Stock issued and outstanding immediately prior to the Effective Time.

Except as otherwise provided herein, no interest will be paid or accrued on the cash payable upon the surrender of any Certificate. If any portion of the consideration to be received pursuant to Section 3.1 upon exchange of a Certificate is to be issued or paid to a person other than the person in whose name the Certificate surrendered in exchange therefor is registered, it shall be a condition of such issuance and payment that the person requesting such exchange shall pay in advance any transfer or other taxes required by reason thereof or establish to the satisfaction of Crown Crafts that such tax has been paid or that such tax is not applicable. If the surrendering Shareholder is not identified on Schedule 3.1 hereto, such Shareholder shall furnish to Crown Crafts an opinion of counsel in form and substance reasonably acceptable to Crown Crafts to the effect that such surrendering Shareholder acquired his or her Shares in

compliance with all applicable securities Laws. From the Effective Time until surrender in accordance with the provisions of this Section 3.4, the Certificates shall represent for all purposes only the right to receive the consideration provided in Section 3.1. All payments in respect of shares of Red Calliope Stock that are made in accordance with the terms hereof shall be deemed to have been made in full satisfaction of all rights pertaining to such securities.

(B) In the case of any lost, mislaid, stolen or destroyed Certificate, the record holder thereof may be required, as a condition precedent to delivery to such holder of the consideration described in Section 3.1, to deliver to Crown Crafts a bond in such reasonable sum or a satisfactory indemnity agreement as Crown Crafts may direct as indemnity against any claim that may be made against Crown Crafts or the Surviving Corporation with respect to the Certificate alleged to have been lost, mislaid, stolen or destroyed.

(C) After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of the shares of Red Calliope Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for transfer, they shall be canceled and, unless representing Dissenting Shares, exchanged for the consideration described in Section 3.1.

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(D) Any cash due Shareholders pursuant to Section 3.1 hereof that remains unclaimed by such Shareholders for six months after the same shall become due and payable hereunder shall be held by Crown Crafts, and any Shareholder who has not theretofore complied with Section 3.4 (a) shall thereafter look only to Crown Crafts for the payment of any consideration to which such holder has become entitled pursuant to the provisions of Section 3.1; provided, however, that neither Crown Crafts nor any party hereto shall be liable to a Shareholder for any amount required to be paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

(E) Notwithstanding anything to the contrary herein, Crown Crafts shall disburse all cash otherwise payable to or for the account of Mr. Glickman or his creditors or affiliates in accordance with the terms of the Disbursement Agreement.

#### SECTION 3.5. Closing Balance Sheet; Disputed Matters.

(A) As soon as practicable (but in no event later than forty-five (45) days following the Closing Date), (i) the Surviving Corporation shall prepare a balance sheet for the Company as of the close of business on the Closing Date (the "Closing Balance Sheet"). The Closing Balance Sheet shall be prepared in accordance with GAAP, using the same methods and criteria employed by the Company in connection with its preparation of its Latest Year-End Balance Sheet to the extent such methods are consistent with GAAP, and shall present fairly the Company's financial position as of the close of business on the day immediately preceding the Closing Date. Without limiting the generality of the foregoing, the Closing Balance Sheet shall include an accrual for C corporation taxes for the period from and including July 28, 1995 to and including the Closing Date. Upon completion of the Closing Balance Sheet, copies thereof shall promptly be provided to each Interested Party.

(B) If, within fifteen (15) days after receipt of the Closing Balance Sheet, any Interested Party shall notify Crown Crafts or Crown Crafts shall notify each of the Interested Parties that he or it disputes any matter with respect to the

Closing Balance Sheet, then any such matters (the "Disputed Matters") shall be submitted to arbitration in Los Angeles, California, within fifteen (15) days after such notice unless the parties agree in writing to extend such fifteen (15) day period in an attempt to negotiate a settlement of such Disputed Matters. The arbitrator (the "Arbitrator") shall be any one of the nationally recognized independent accounting firms which is on the date hereof among the six largest such firms (the "Big Six accounting firms") mutually agreed to by a majority of the Interested Parties and Crown Crafts. Any reference herein to the Big Six accounting firms shall be deemed to include a reference to any member or employee thereof (who is a certified public accountant) which any such firm may designate as the Arbitrator on its behalf. If within ten (10) days following the expiration of the fifteen (15) day period referred to above or any extension thereof a majority of the Interested Parties and Crown Crafts shall have failed to agree upon the selection of the Arbitrator or any such Arbitrator selected by them shall not have agreed to perform the services called for hereunder, the Arbitrator shall thereupon be selected in accordance with the rules of the American Arbitration Association, with preference being given to any one of the Big Six accounting firms or any member or employee thereof (who is a certified public accountant) which or who may be willing to perform such services, other than any such firm which is then employed by the Surviving Corporation or Crown Crafts or any affiliate thereof. The Arbitrator shall consider only the Disputed Matters

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and the arbitration shall be conducted in accordance with the rules of the American Arbitration Association then in effect. The Arbitrator shall act promptly to resolve all Disputed Matters and its decision with respect to all Disputed Matters shall be final and binding upon the parties hereto and shall not be appealable to any court. The costs and expenses of the Arbitrator shall be paid by Crown Crafts.

#### ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to Section 4.35 and except as set forth on a DISCLOSURE SCHEDULE, each of which exceptions shall be deemed to be representations and warranties as if made hereunder, the Company hereby represents and warrants to Crown Crafts as follows:

SECTION 4.1. Organization and Standing. The Company is a corporation duly organized, validly existing and in good standing under the Laws of California, having full power and authority to carry on the Business as it has been and is now being conducted and to own, lease and operate the Assets. The Company is duly qualified to do business and is in good standing in every jurisdiction in which the Business or the character of the Assets requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect. All jurisdictions in which the Company is qualified to do business. are disclosed in the DISCLOSURE SCHEDULE. The Company does not have, nor has it ever had, any predecessors or subsidiaries or any stock or other equity or ownership interest (whether controlling or not) in any corporation, association, partnership, joint venture or other entity.

SECTION 4.2. Capitalization and Share Ownership. The Company's authorized capital stock consists of 2,500 shares of Common Stock. There are 1,433 shares of the Company's Common Stock presently outstanding (the "Shares"), all of which have been duly authorized and validly issued, are fully paid and nonassessable, were not issued in violation of the terms of any Contract binding upon the Company, and were issued in compliance

with all applicable charter documents of the Company and all applicable federal and state securities or "blue sky" Laws and regulations. No equity securities of the Company, other than the Shares, are issued or outstanding. There are, and have been, no preemptive rights with respect to the issuance of the Shares. There are (i) no existing Contracts, subscriptions, options, warrants, calls, commitments or rights of any character to purchase or otherwise acquire any capital shares or other securities of the Company, whether or not presently issued or outstanding, from the Company, at any time, or upon the happening of any stated event and (ii) no Contracts, subscriptions, options, warrants, calls, commitments or rights to purchase or otherwise acquire from the Company any such convertible or exchangeable securities.

SECTION 4.3. Authority and Binding Effect. The Company, Mr. Fohrman and Mr. Glickman have the full power and authority to execute, deliver and perform this Agreement, to perform fully their respective obligations hereunder and to consummate the transactions contemplated hereby and, except for approval by the requisite vote of the holders of the outstanding shares of Red Calliope stock entitled to vote thereon and filings by the Company required by Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), have taken all actions necessary to secure all approvals required in connection herewith. The execution and delivery by the Company of this Agreement and the consummation

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of the transactions herein contemplated have been duly authorized by all corporate action of the Company. The Company, Mr. Fohrman and Mr. Glickman have duly executed and delivered this Agreement, and it constitutes the legal, valid and binding obligation of the Company, Mr. Fohrman and Mr. Glickman, enforceable against each of them in accordance with its terms.

SECTION 4.4. Validity of Contemplated Transactions. Neither the execution and delivery of this Agreement by Mr. Fohrman, Mr. Glickman or the Company nor the consummation of the transactions contemplated hereby will contravene or violate the Articles of Incorporation or Bylaws of the Company or any Regulation or Court Order which is applicable to the Company, Mr. Fohrman or Mr. Glickman, or will result in a Default under, or require the consent or approval of any party to, any Contract relating to the Business or the Assets or to or by which the Company, Mr. Fohrman or Mr. Glickman is a party or otherwise bound or affected, or require the Company or Mr. Fohrman or Mr. Glickman to notify or obtain any License from any federal, state, local or other court or governmental agency or body or from any other regulatory authority, except as required by the HSR Act.

SECTION 4.5. Restrictions. Neither the Company, Mr. Fohrman, nor Mr. Glickman is a party to any Contract or subject to any restriction or any Court Order or Regulation which (i) adversely affects the Company, the Assets or the Business, except for any of the foregoing generally applicable to a Person conducting a business similar to the Business, or (ii) affects or restricts the ability of the Company to consummate the Merger.

SECTION 4.6. Third-Party Options. There are no existing Contracts, options, commitments or rights with, to or in any Person to acquire the Company, any of the Assets or any interest therein or in the Business, other than Contracts to acquire Assets in the ordinary course of business and other than Liens on Shares.

SECTION 4.7. Financial Statements. The Company has delivered to Crown Crafts (i) the Company's year-end balance

sheets at June 30, 1993, 1994 and 1995, (ii) its related statements of income, retained earnings and cash flows for the fiscal years then ended, and (iii) all related notes and schedules, each of which has been audited by Lederman, Zeidler & Co. All Liabilities of the Company at June 30, 1995 required to be reflected or reserved for by GAAP are fully reflected or reserved for in the Company's balance sheet at June 30, 1995 (the "Latest Year-End Balance Sheet"). June 30, 1995 is referred to as the "Latest Year-End Balance Sheet Date" in other parts of this Agreement. All of the financial statements referred to in this Section 4.7 were prepared in accordance with GAAP and, subject to any qualifications set forth in the applicable notes and schedules, fairly present the financial position and results of operations of the Company at the dates and for the periods covered and include all adjustments that are necessary for a fair presentation of the information shown.

SECTION 4.8. Books of Account; Returns and Reports; Taxes. The books of account of the Company fairly reflect (i) all transactions relating to the Company and (ii) all items of income and expense, assets and liabilities and accruals relating to the Company. The Company has not engaged in any transaction, maintained any bank account or used any corporate funds except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Company. From and including July 1, 1982 to and including July 27, 1995, the Company was continuously an "S" corporation within the meaning

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of Section 1361 of the Code and the equivalent provisions of all applicable state income tax statutes. The Company has duly filed all federal, state, local and foreign tax returns required to be filed by it through the date hereof and has duly paid or made adequate provision for the payment of all taxes which are due and payable for taxable years ending on or before the Closing Date. The liability for taxes reflected in the Latest Year-End Balance Sheet (excluding any reserve for deferred taxes or portion thereof which is attributable to differences between the timing of income or deductions for tax and financial accounting purposes) is sufficient for the payment of all accrued but unpaid taxes, whether or not disputed, for the period ended June 30, 1995 and for all years and periods ended prior thereto. All deficiencies asserted as a result of any examinations conducted by the IRS or any other taxing authority prior to the date hereof have been paid, fully settled or adequately provided for in the Latest Year-End Balance Sheet. There are no pending claims asserted for taxes of the Company or outstanding agreements or waivers extending the statutory period of limitation applicable to any tax return of the Company for any period. The Company has made all estimated income tax deposits through the date hereof and all other required tax payments or deposits and has complied for all prior periods in all material respects with the tax withholding provisions of all applicable federal, state, local, foreign and other laws. The Company has made available to Crown Crafts true, complete and correct copies of its federal income tax returns for the last three (3) taxable years and made available such other tax returns as have been requested by Crown Crafts.

SECTION 4.9. Undisclosed Liabilities. The Company has no Liabilities except for:

(i) those Liabilities adequately and specifically set forth or reserved for on the Latest Year-End Balance Sheet and not heretofore paid or discharged;

(ii) those Liabilities arising in the

ordinary course of its business consistent with past practice under any Contract specifically disclosed on the DISCLOSURE SCHEDULE (or not required to be disclosed because of the term or amount involved);

(iii) those Liabilities incurred, consistent with past business practice, in the ordinary course of its business since the Latest Year-End Balance Sheet Date and not heretofore paid or discharged; and

(iv) Liabilities (other than those described in clauses (i), (ii) and (iii) above) not exceeding \$10,000 in the aggregate.

SECTION 4.10. Accounts Receivable. All accounts receivable as set forth on the list of accounts receivable included in the Disclosure Schedule have arisen only in the ordinary course of business consistent with past practice for goods sold and delivered or services performed. All accounts receivable of the Company reflected on the Closing Balance Sheet shall be collectible in full at the recorded amounts thereof (free of any, and subject to no, defenses, setoffs or counterclaims) in the ordinary course of business (without resort to Litigation or assignment to a collection agency), but in no event later than ninety (90) days after the Closing Date, net of any allowance for doubtful accounts reflected in the Closing Balance Sheet.

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SECTION 4.11. Inventory. All inventory of the Company used in the conduct of the Business reflected on the Latest Year-End Balance Sheet or arising since the Latest Year-End Balance Sheet Date was acquired and has been maintained in accordance with the regular business practices of the Company, consists of new and unused items of a quality and quantity usable or saleable in the ordinary course of business of the Company consistent with past practice, and is valued at reasonable amounts based on the ordinary course of business of the Company within the past six (6) months at prices equal to the lower of cost or market valued on a first-in-first-out basis. No material portion of such inventory is subject to any write-down or write-off or is obsolete, unusable, slow-moving, damaged or unsalable in the ordinary course of the Company's business consistent with past practice.

SECTION 4.12. Title to Assets. The Company owns outright and has good and marketable title to all of the Assets, including, without limitation, the assets and properties set forth on the Latest Year-End Balance Sheet (except for such as may have been disposed of in the ordinary course of business since the Latest Year-End Balance Sheet Date), free and clear of all Liens, except Permitted Liens.

SECTION 4.13. Tangible Assets. The DISCLOSURE SCHEDULE sets forth accurate lists and summary descriptions of all tangible Assets where the value of an individual item exceeds \$5,000, or where an aggregate of similar items exceeds \$10,000, and of all leases, Licenses and other Contracts to which the Company is a party or is otherwise bound which relate in whole or in part to such Assets. The Assets listed on the DISCLOSURE SCHEDULE have been grouped by type and constitute substantially all of the tangible assets used in or necessary to the conduct of the Business.

SECTION 4.14. Condition of Assets. All tangible assets and properties which are part of the Assets are in good operating condition and repair, reasonable wear and tear excepted, and are usable in the ordinary course of the Business consistent with past practice and conform in all material



respects to all applicable Regulations relating to their construction, use and operation. There are no developments materially affecting any such Asset which reasonably could be expected to curtail the present or future use thereof for the purpose for which it was acquired. Except pursuant to leases described on the DISCLOSURE SCHEDULE, no Person other than the Company owns any vehicles, equipment or other tangible Assets situated on the facilities used by the Company in the Business (other than immaterial items of personal property owned by the Company's employees and other than fixtures and improvements on the Real Property) or necessary to the operation of the Business.

#### SECTION 4.15. Real Property.

(A) The Company does not own, nor has it at any time owned, any real property.

(B) The Disclosure Schedule lists each parcel of Leased Real Property. As of the date of this Agreement, (i) the Company has a valid and subsisting leasehold interest in each Lease; (ii) the Company is in undisturbed possession of all space that it is currently entitled to possess

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under each such Lease and no rights adverse to the rights of the Company have, to the best of the Company's knowledge, been asserted by any third Persons; (iii) the Company has not subleased or assigned any interest in any such Lease; (iv) the Company has not received any written notice of material default under any such Lease which is still in effect; (v) each Lease is valid, binding and enforceable in accordance with its terms with respect to the Company and, to the best of the Company's knowledge, with respect to each of the other parties thereto; (vi) there is no existing material default or breach of a material covenant by the Company under any Lease or any condition, event or act that with notice or the lapse of time (or both) would constitute a material default by the Company; and (vii) there is not under any Lease any non-material default or breach of a non-material covenant by the Company that gives the other party to such Lease the right to terminate or cancel such Lease without first providing the Company with notice thereof and an opportunity to cure such default or breach of covenant.

(C) Each of the Leased Premises and equipment used or operated by the Company is in good condition and repair, reasonable wear and tear excepted, and the present use and occupation thereof conforms in all material respects with all Laws, and the Company has not received notice of any breach or violation of such Laws.

#### SECTION 4.16. Environmental Matters.

(A) There are no Environmental Claims (or any Claim against any Person whose Liability, or any portion thereof, for Environmental Matters or under any Environmental Laws the Company has or may have retained or assumed contractually or by operation of Law) pending or, to the best of the Company's knowledge, threatened with respect to (i) the ownership, use, condition or operation of the Business, the Assets, the Leased Real Property or any asset formerly held for use or sale by the Company, or (ii) any violation or alleged violation of or liability or alleged liability under any Environmental Law or any Court Order related to Environmental Matters. There are no existing violations by the Company or, to the Company's best knowledge, any other Person, of (i) any Environmental Law, or (ii) any Order related to Environmental Matters, with respect to the ownership, use, condition or operation of the Business, the Assets, the Leased Real Property or any asset formerly held for use or sale by the Company. There are no past or present actions,

activities, circumstances, conditions, events or incidents, including, without limitation, any Environmental Matter, with respect to the Company or, to the best of the Company's knowledge, any other Person, that reasonably could be expected to form the basis of any Environmental Claim against the Company, the Assets or any asset formerly held for use or sale by the Company. There are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, any Environmental Matter, with respect to the Company or, to the best of the Company's knowledge, any other Person, that reasonably could be expected to form the basis of (i) any Environmental Claim against the Company, or (ii) any Claim against any Person whose Liability (or any portion thereof) for Environmental Matters or under any Environmental Laws the Company has or may have retained or assumed contractually or by operation of Law.

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(B) Neither the Company nor, to the best of the Company's knowledge, any other Person has used any Assets or Leased Real Property of the Company or any part thereof for the handling, treatment, storage, or disposal of any Hazardous Substances except for handling, treatment, storage, or disposal of Hazardous Substances in accordance with applicable Environmental Laws.

(C) No material release, discharge, spillage or disposal of any Hazardous Substances has occurred or is occurring at any Assets or Leased Real Property of the Company or any part thereof while or, to the best of the Company's knowledge, before such Assets or Leased Real Property were owned, leased, operated, or managed, directly or indirectly, by the Company.

(D) No material amount of soil or water in, under or, to the best of the Company's knowledge, adjacent to any Assets or Leased Real Property of the Company or assets formerly held for use or sale by the Company has been contaminated by any Hazardous Substance while or, to the best of the Company's knowledge, before such assets or premises were owned, leased, operated or managed, directly or indirectly, by the Company.

(E) No material amount of waste containing any Hazardous Substances has been generated, used, handled, stored, treated or disposed of, directly or indirectly, by the Company except for waste generated, used, handled, stored, treated and disposed of in accordance with applicable Environmental Laws.

(F) There are no underground tanks or other underground storage facilities presently or, to the best of the Company's knowledge, previously located at any Leased Real Property.

(G) All material amount of waste, hazardous or otherwise, has been removed from all Leased Real Property.

(H) The Company has complied with all applicable reporting requirements under all Environmental Laws concerning the disposal or release of Hazardous Substances and has not been required under such Environmental Laws to make any reports concerning any Leased Real Property or concerning the operations or activities of the Company.

(I) No Leased Real Property contains any asbestos-containing materials that, based on their present condition or location, are required to be removed under applicable Environmental Laws.

(J) Without limiting the generality of any of the foregoing, the Company has not stored, disposed or arranged for

the disposal of any material amount of Hazardous Substances except for storage or disposal of Hazardous Substances in accordance with applicable Environmental Laws.

(K) The Company is not aware of any environmental site assessment or other study relating to the investigation of the possibility of the presence or existence of any Environmental Matter with respect to the Business, the Assets or any of the Leased Real Property.

(L) The Company has delivered to Crown Crafts copies of all Licenses issued to the Company pursuant to any Environmental Law and all written communications between the

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Company or its representatives and any Governmental Authority concerning any Environmental Matter.

#### SECTION 4.17. Contracts.

(A) The DISCLOSURE SCHEDULE sets forth complete and accurate lists or descriptions of (i) all Benefit Plans and (ii) all consents or approvals required under any Contracts to which the Company is a party that are necessary for the Company to complete the Merger or to avoid a Default under such Contracts.

(B) None of the Assets is leased by the Company from any Person, whether affiliated or unaffiliated with the Company.

(C) The Company is not a party to any:

(i) Contract with any present or former employee or consultant;

(ii) Contract for the future purchase of, or payment for, supplies or products or services except for purchase orders placed with vendors in the ordinary course of business and except for Contracts for services not in excess of \$5,000;

(iii) Contract to sell or supply products or to perform services except for purchase orders accepted from vendees in the ordinary course of business;

(iv) representative or sales agency Contract;

(v) Contract limiting or restraining it from engaging or competing in any lines or business with any Person;

(vi) license, franchise, distributorship or other agreement, including those which relate in whole or in part to any ideas, technical assistance or other know-how of or used by the Company; or

(vii) material Contract not otherwise disclosed herein.

(D) All of the Contracts to which the Company is party or by which it or any of the Assets is bound or affected are valid, binding and enforceable in accordance with their terms with respect to the Company and, to the best of the Company's knowledge, with respect to each of the other parties thereto. The Company has fulfilled, or taken all action necessary to enable it to fulfill when due, all of its material obligations under each of such Contracts. The Company and, to the Company's best knowledge, all other parties to such Contracts have complied in all material

respects with the provisions thereof, and no notice of any Claim (other than any Claim of the type identified in Section 4.26) or Default has been given to the Company. There are no developments materially developing materials affecting any such Contract which reasonably could be expected to prevent the Company from realizing the benefits thereof whether before or after the completion of the Merger.

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SECTION 4.18. Employees. The DISCLOSURE SCHEDULE sets forth the names and current annual salary rates or current hourly wages of all present employees of the Company, together with the average number of hours worked per week, the date of the last salary increase, the date of commencement of employment of each employee with the Company, and a summary of salary, bonuses and other compensation, if any, paid or payable to each of such Persons for or in respect of that portion of the 1995 calendar year ending on August 31, 1995, and a list of all insurance premiums paid on their behalf. The DISCLOSURE SCHEDULE also sets forth the earnings for each of such employees as reflected on Form W-2 for the 1994 calendar year.

SECTION 4.19. Licenses. The DISCLOSURE SCHEDULE sets forth a complete list of all Licenses used in the operation of the Business or otherwise held by the Company. The Company owns, possesses or lawfully uses in the operation of its Business all Licenses which are necessary to conduct the Business as now conducted or to the ownership of the Assets, free and clear of all Liens except for Permitted Liens and Liens for the benefit of the licensor of any such License. The Company is not in Default, nor has it received any notice of any Claim of Default, with respect to any such License. Except as otherwise governed by Law, all such Licenses are renewable by their terms or in the ordinary course of business without the need to comply with any special qualification procedures or to pay any amounts other than routine filing fees and will not be adversely affected by the completion of the Merger.

SECTION 4.20. Intellectual Property.

(A) No employee of the Company is, or is now expected to be, in default under any term of any employment contract, agreement or arrangement relating to any Intellectual Property or noncompetition arrangement, or any other Contract or restrictive covenant relating to the right of any such officer or employee to be employed by the Company because of the nature of the Business or relating to the use of any Intellectual Property of others, and the continued employment of the Company's officers and employees does not subject the Company to any liability resulting from such a violation. The Intellectual Property owned by the Company was developed entirely by its employees during the time they were employees only of the Company, and such Intellectual Property does not include any inventions of the employees made prior to the time such employees became employees of the Company nor any Intellectual Property of any previous employer of such employee.

(B) The Company owns or has a valid right to use the Intellectual Property being used to conduct the business of the Company, and the conduct of its business as now operated does not conflict with valid Intellectual Property rights of others. The Company has not received any written communication alleging that the Company has violated or, by conducting its business as proposed, would violate any of the Intellectual Property rights of any other Person. The Company does not have any obligation to compensate any Person for the use of any such Intellectual Property rights nor has the Company granted to any Person any license, option or other rights to use in any manner any of the

Intellectual Property of the Company, whether requiring the payment of royalties or not.

(C) All Patents, Copyrights, Trademarks and computer software used in the Business or owned by the Company are listed in the DISCLOSURE SCHEDULE.

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(D) The computer software of the Company included in the Intellectual Property functions as intended, is in machine-readable form, is fully licensed, and is the only software used by the Company in the conduct of the Business.

SECTION 4.21. Compliance with Regulations and Court Orders. The Company is not in violation of any Court Order or Regulation, and the Assets have not been used or operated by the Company or any other Person in violation of any Regulation or Court Order except for violations that reasonably could not be expected to have a Material Adverse Effect. All Court Orders to which the Company is a party or subject are listed in the DISCLOSURE SCHEDULE. The Company has made all filings or notifications required to be made by it under any Regulations applicable to the Company, the Business or the Assets. The Company and all products sold by it, presently or at any time in the past, and their respective packaging, markings, and registrations, if any, were and are in full compliance with all consumer protection Laws and Regulations applicable thereto at the time of such sales, including, without limitation, California Proposition 65 and the Consumer Product Safety Act. Neither the Company nor any officer, employee or agent of, or consultant to, the Company, while acting in his or her capacity as such officer, employee, agent or consultant, has unlawfully offered, paid, or agreed to pay, directly or indirectly, any money or anything of value to, or for the benefit of, any individual who is or was a candidate for public office, or an official or employee of any Governmental Authority.

SECTION 4.22. Claims. There is no Litigation pending or, to the best of the Company's knowledge, threatened against the Company, the Business or the Assets. No Claim has been asserted and no event has occurred that reasonably could be expected to result in Litigation against the Company, the Business or the Assets. To the best of the Company's knowledge, there is no reasonable basis for any such Claim. All pending or threatened Litigation against the Company, the Business or the Assets of which the Company is aware, if any, is fully covered by insurance.

SECTION 4.23. Insurance. The DISCLOSURE SCHEDULE contains a true and complete description of the current insurance coverage applicable to the Company, the Business and the Assets, including amounts and lines of coverage, loss experience history by line of coverage for the past three (3) years, and a description of all Claims in excess of \$10,000 for the past three (3) years. To the best of the Company's knowledge, all insurance coverage applicable to the Company, the Business and the Assets is in full force and effect and is valid, binding and enforceable in accordance with its terms against the respective insurers. All insurance coverage applicable to the Company, the Business and the Assets insures the Company in reasonably sufficient amounts against all risks usually insured against by Persons operating similar businesses or properties in the localities where such businesses or properties are located and has been issued by insurers of recognized responsibility. There is no Default under any such coverage nor has there been any failure to give notice or present any Claim under any such coverage in a due and timely fashion. There are no outstanding unpaid premiums except in the ordinary course of business and no notice of cancellation or nonrenewal of any such coverage has been

received. There are no provisions in such insurance policies for retroactive or retrospective premium adjustments. To the best of the Company's knowledge, no event has occurred that reasonably could be expected to form the basis of a bona fide Claim against the Company, the Business or the Assets or which reasonably could be expected to materially increase the insurance premiums payable for any such coverage. All products liability and general liability insurance policies ever

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maintained by the Company have been occurrence policies and not claims made policies. There are no outstanding performance bonds covering or issued for the benefit of the Company. At no time since it commenced operations has the Company been without general liability insurance or workers compensation insurance.

SECTION 4.24. Labor Matters. The Company has no collective bargaining agreement with any labor union or other representative of employees. No strike, slowdown, picketing or work stoppage by any union or other group of employees against the Company or the Assets wherever located, and no secondary boycott with respect to their products, lockout by them of any of their employees or any other labor trouble or other occurrence, event or condition of a similar character, has occurred or been threatened. Neither the Company nor, to the best of the Company's knowledge, any Person that manufactures or produces any of the Company's products, employs any minors or any unauthorized or illegal aliens.

SECTION 4.25. Employee Benefit Plans.

(A) The DISCLOSURE SCHEDULE sets forth a complete list and description of each pension, retirement, deferred compensation, bonus, stock purchase, stock option, profit sharing, insurance or employee benefit or welfare plan, agreement, arrangement or informal understanding for the benefit of employees or former employees, their dependents, survivors or beneficiaries, whether or not legally binding (collectively, "Benefit Plans"), established or maintained, or contributed to, by the Company. Each Benefit Plan that is subject to the Employee Retirement and Income Security Act of 1974 ("ERISA") is in substantial compliance therewith. No employee of the Company is covered by any collective bargaining agreement.

(B) No employee pension benefit plans ("Pension Benefit Plan"), within the meaning of Section 3(2) of ERISA, of the Company nor any trust thereunder has been terminated, nor have there been any "reportable events" as to any Pension Benefit Plan of the Company (as that term is defined in Section 4043 of ERISA) since the effective date of ERISA, and all reports required to be filed by the Company pursuant to ERISA have been filed and all notices required to be given by ERISA pursuant to ERISA have been given.

(C) The Company has not maintained or contributed to any "multi-employer plan," within the meaning of Section 3(37) of ERISA. No liability under Title IV of ERISA has been or is expected to be incurred by the Company attributable to the period ending on the Closing Date with respect to any plan currently or formerly maintained or contributed to it or any ERISA Affiliate (as defined in Section 4001 of ERISA).

(D) Each Pension Benefit Plan of the Company meets the requirements of Section 401(a) of the Code and the trust, if any, forming part of such plan is exempt from federal income tax under Section 501(a) of the Code.

SECTION 4.26. Returns. All Claims against the Company demanding allowances or seeking to return to the Company

merchandise shipped on or prior to the Closing Date by reason of alleged overshipments, defective merchandise, billing errors, customer errors or otherwise shall be reflected on the Closing Balance Sheet.

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SECTION 4.27. Product Warranties. Except for warranties under applicable Law, (i) the Company has made no warranties, express or implied, written or oral, with respect to the Business, and (ii) there is no Claim pending or, to the best of the Company's knowledge, threatened against the Company under any such warranty of the Company and, to the best of the Company's knowledge, there is no basis for any such Claim, and (iii) the Company has no Liability with respect to any such warranty, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due.

SECTION 4.28. Delivery of Documents. The Company has delivered to Crown Crafts true, correct and complete copies of the Company's Articles of Incorporation and By-Laws and all material written Contracts and other documents (including, without limitation, all amendments, supplements, modifications or waivers currently in effect) described in this Agreement or in the DISCLOSURE SCHEDULE.

SECTION 4.29. No Material Adverse Developments. Since the Latest Year-End Balance Sheet Date, there has been no actual or, to the best of the Company's knowledge, threatened change in the Business or any event, condition or state of facts, in either case that is or reasonably could be expected to be material and adverse to the Company or the Assets.

SECTION 4.30. Material Transactions. Since the Latest Year-End Balance Sheet Date, the Business has been operated in the manner described in Section 6.1, and the Company has not taken any action that would have been prohibited by Section 6.1 had that Section been effective since the Latest Year-End Balance Sheet Date.

SECTION 4.31. Additional Information. The DISCLOSURE SCHEDULE contains accurate lists and summary descriptions of the following as of the date hereof:

(i) all accounts receivable of the Company as of September 28, 1995 specifying the account debtor and the face amount of each receivable;

(ii) all accounts payable and accrued expenses of the Company reflected on the Latest Year-End Balance Sheet, specifying the payee, the face amount of each payable, the age of each payable regardless of classification on the balance sheet account, any defenses, setoffs or counterclaims that may exist with respect thereto, and reconciling the aggregate value of all accounts payable as of the Latest Year-End Balance Sheet Date to the amount of such category set forth on the Latest Year-End Balance Sheet;

(iii) the names of all present officers and directors of the Company;

(iv) the names and addresses of every bank and other financial institution in which the Company maintains an account (whether checking, savings or otherwise), lock box or safe deposit box, and the account numbers and names of Persons having signing authority or other access thereto;

(v) the names of all Persons authorized to borrow money or incur or guarantee indebtedness on behalf of the Company;

(vi) the names of all Persons holding powers of attorney from the Company and a summary statement of the terms thereof; and

(vii) all names under which the Company has ever conducted any Business or which it has otherwise ever used.

SECTION 4.32. Corporate Records. The minute books of the Company are current and contain correct and complete copies of all charter documents of the Company, including all amendments thereto and restatements thereof, and of all minutes of meetings, resolutions and other actions and proceedings of its shareholders and board of directors and all committees thereof, duly signed by the Secretary or an Assistant Secretary, and the stock record book of the Company is also current, correct and complete.

SECTION 4.33. Transactions with Affiliates. No shareholder or director of the Company, or any Person with whom any such shareholder or director has any direct or indirect relation by blood, marriage or adoption, or any entity in which any such person owns any beneficial interest (other than a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market and less than 1% of the stock of which is beneficially owned by all such Persons) has any interest in (i) any contract, arrangement or understanding with, or relating to, the Business, (ii) any loan, arrangement, understanding, agreement or contract for or relating to indebtedness of the Company, or (iii) any property (real, personal or mixed, tangible or intangible) used, or currently intended to be used, in the Business.

SECTION 4.34. Full Disclosure. There are and will be no material misstatements in any of the representations and warranties made by the Company in this Agreement or in any of the certificates and instruments delivered or to be delivered by the Company pursuant to this Agreement, including, without limitation, in the DISCLOSURE SCHEDULE, and the Company has not omitted to state any fact necessary to make such representations and warranties not materially misleading.

SECTION 4.35. Limitation on Representations and Warranties Due to Tax Status. Notwithstanding the foregoing, until the Extension Grant Date occurs the Company shall not be deemed to have made any representations or warranties under this Article IV to the extent, but only to the extent, that such representations or warranties would be incorrect if the Company, at any time during the period from July 1, 1982 to and including July 27, 1995, were not an "S" corporation within the meaning of Section 1361 of the Code and the equivalent provisions of all applicable state income tax statutes. If the Extension Grant Date occurs, then from and after the Extension Grant Date the portions of the representations and warranties that are deemed to have not been made pursuant to the first sentence of this Section 4.35 shall be deemed to have been made as of the date hereof.



Crown Crafts hereby represents and warrants to the Company as follows:

SECTION 5.1. Organization and Standing. Crown Crafts and Merger Sub are corporations duly organized, validly existing and in good standing under the Laws of Georgia and California, respectively, having all requisite corporate power and authority to perform their obligations under this Agreement.

SECTION 5.2. Authority and Binding Effect. Crown Crafts and Merger Sub have the corporate power and authority to execute, deliver and perform this Agreement and, except for filings required by the HSR Act, have taken all actions necessary to secure all approvals required in connection therewith. The execution, delivery and performance of this Agreement by Crown Crafts and Merger Sub have been duly authorized by all necessary corporate action on the part of Crown Crafts and Merger Sub. This Agreement constitutes the legal, valid and binding obligation of Crown Crafts and Merger Sub, enforceable against each of Crown Crafts and Merger Sub in accordance with its terms.

SECTION 5.3. Validity of Contemplated Transactions. Neither the execution and delivery of this Agreement by Crown Crafts or Merger Sub nor the consummation of the transactions contemplated hereby by Crown Crafts or Merger Sub will contravene or violate any Regulation or Court Order which is applicable to Crown Crafts or Merger Sub, or the Articles of Incorporation or By-Laws of Crown Crafts or Merger Sub, or will result in a Default under any Contract to which Crown Crafts or Merger Sub is a party or by which it is otherwise bound.

SECTION 5.4. Business and Liabilities of Merger Sub. Merger Sub has not conducted any business since its date of incorporation and has not incurred any liabilities other than minimum franchise tax liabilities.

## ARTICLE 6 CERTAIN ADDITIONAL COVENANTS

SECTION 6.1. Conduct of Business Pending Closing. Until the Closing Date, except as may be approved by Crown Crafts in writing or as otherwise expressly provided in this Agreement, the Company shall:

(i) operate the Business only in the ordinary course and in substantially the same manner as it has been operated in the past and not sell any of the Assets except for sales in the ordinary course of business, provided that the Company may take any action not material to the Business whether or not such action is in the ordinary course of business;

(ii) not issue, repurchase or redeem or commit to issue, repurchase or redeem, any shares of its capital stock, any options or other rights to acquire such stock or any securities convertible into or exchangeable for such stock;

(iii) not (a) incur any amount of long or short-term debt for money borrowed, (b) guarantee or agree to guarantee the obligations of others, (c) indemnify or agree to indemnify others, or (d) incur any other Liabilities other than those incurred in the ordinary course of business consistent with past practice, provided that the Company may incur any Liability not material to the Business whether or not such occurrence is in the ordinary course of business;

(iv) keep in full force and effect insurance covering the Company, the Assets and the Business comparable in amount and scope of coverage to that now maintained;

(v) maintain the tangible Assets in good condition and working order, ordinary wear and tear excepted;

(vi) use its reasonable best efforts to retain the Company's employees and maintain the Business so that such employees will remain available to the Company on the Closing Date and to maintain existing relationships with suppliers, customers and others having business dealings with the Company and otherwise to preserve the goodwill of the Business so that such relationships and goodwill will be preserved on the Closing Date;

(vii) not amend its Articles of Incorporation or By-Laws;

(viii) not merge with or into any other Person or sell, assign, transfer, pledge or encumber any material part of the Assets outside the ordinary course of business or agree to do any of the foregoing;

(ix) not enter into any Contract that is material, nor amend or terminate any material Contract;

(x) not waive any rights of value or rights that would otherwise accrue to the Company after the Closing Date;

(xi) not increase the salaries of, or make any bonus or similar payments to or establish any Benefit Plans for, any of the Company's directors, officers or employees or enter into or modify any employment, consulting or similar Contracts with any such Persons or agree to do any of the foregoing;

(xii) continue to maintain all Benefit Plans in accordance with applicable Regulations and ensure that no Benefit Plan, nor any trust related thereto, shall be amended or terminated prior to the Closing Date, except for any amendment as may be required to comply with applicable Regulations;

(xiii) collect its accounts receivable in the ordinary course of business consistent with past practice;

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(xiv) pay its accounts payable in the ordinary course of business consistent with past practice and not fail to pay or discharge when due any Liabilities except where any such account payable or Liability is the subject of a good faith dispute;

(xv) use its reasonable best efforts to complete the Merger and obtain the satisfaction of the conditions specified in Article 8;

(xvi) promptly notify Crown Crafts of any Default, the threat or commencement of any Litigation, or any development that occurs before the Closing that could have a Material Adverse Effect;

(xvii) use its reasonable best efforts to obtain any consents or approvals required under any Contracts or otherwise that are necessary to complete the Merger or to avoid a Default under any such Contract, provided that Red Calliope shall not be required to make payments in excess of an aggregate of \$125,000 in order to obtain such consents and approvals;

(xviii) comply with all Regulations applicable to it and to the conduct of the Business, except where the failure to so comply could not have a Material Adverse Effect;

(xix) provide Crown Crafts with such financial and other reports of the Business as may be reasonably requested;

(xx) not make, or commit itself to make, any capital expenditures in excess of \$5,000;

(xxi) (a) give to Crown Crafts' officers, employees, counsel, accountants and other representatives free and full access to and the right to inspect, during normal business hours, all of the Assets, records, Contracts and other documents relating to the Business, (b) permit them to consult with the officers, employees, accountants, counsel and agents of the Company for the purpose of making such investigation of the Company, the Business and the Assets as Crown Crafts shall desire to make, provided that such investigation shall not unreasonably interfere with the Company's operational business, and (c) furnish to Crown Crafts all such documents and copies of documents and records and information with respect to the Company's affairs and copies of any working papers relating thereto as Crown Crafts shall from time to time reasonably request; and

(xxii) promptly disclose to Crown Crafts in writing any information set forth in the DISCLOSURE SCHEDULE hereto which no longer is correct and any information of the nature of that set forth in the DISCLOSURE SCHEDULE which arises after the date hereof and which would have been required to be included in the DISCLOSURE SCHEDULE if such information had obtained on the date hereof.

SECTION 6.2. HSR Act. Each of Crown Crafts, Merger Sub and the Company has prepared and filed with the Federal Trade Commission ("FTC") and the Antitrust Division of the Department of Justice ("DOJ") all notifications required by the HSR Act, and each of them agrees hereafter to file, as promptly as practicable, all responses to requests for information required by the HSR Act. Crown Crafts, Merger Sub and the Company will cooperate as required to prepare

each separate filing, and to supply any additional information which may be submitted to the FTC or the DOJ relating to the status of the transactions contemplated hereby under the antitrust laws, whether or not such additional information is requested or required under the HSR Act. Crown Crafts, Merger Sub and the Company shall each request early termination of the waiting period under the HSR Act.

SECTION 6.3. Medical Benefits. Crown Crafts agrees that immediately following the Closing all employees of the Company (other than Mr. and Mrs. Glickman) to whom the Company

has provided medical benefits (the "Company Plan") as of the Closing Date shall either (i) continue to be covered under the Company Plan, or (ii) be covered under Crown Crafts' medical plan (the "Crown Crafts Plan") and not be subject to any exclusion in the Crown Crafts Plan regarding pre-existing conditions to the extent that such exclusion exceeds in nature or duration any exclusion to which such employees are subject immediately prior to the Closing under the Company Plan. Nothing in this Section 6.3 shall be construed (i) as giving any employee of the Company the right to be employed by the Company or Crown Crafts for any period after the Closing or restrict the right of the Company or Crown Crafts to discharge any such person or an employee at any time, (ii) as restricting the right of Crown Crafts to change or modify the Company Plan or Crown Crafts' Plan in any respect, or (iii) as obligating Crown Crafts to continue to provide any medical insurance or benefits to the Company's employees.

SECTION 6.4. Confidentiality. Subject to the requirements of applicable Law, Crown Crafts and Merger Sub will keep confidential, and will cause their representatives to keep confidential, all information and documents obtained by them from the Company in connection herewith except as otherwise consented to by the Company; provided, however, that neither Crown Crafts nor Merger Sub shall be precluded from making any disclosure which (based on advice of counsel) it deems required by Law in connection with the transactions contemplated by this Agreement. In the event Crown Crafts or Merger Sub is required to disclose any information or documents pursuant to the immediately preceding sentence, it shall promptly give written notice of such disclosure that is proposed to be made to the Company so that the parties can work together to limit the disclosure to the greatest extent possible and, in the event that Crown Crafts or Merger Sub is legally compelled to disclose any information, to seek a protective order or other appropriate remedy or both. Upon any termination of this Agreement, Crown Crafts and Merger Sub will collect and deliver to the Company all documents obtained pursuant to this Agreement or otherwise from the Company by them or its representatives then in their possession and any copies thereof.

SECTION 6.5. Best Efforts. Each of Crown Crafts and Merger Sub shall use its reasonable best efforts to accomplish the Merger and obtain the satisfaction of the conditions specified in Section 9.

SECTION 6.6. Intentionally Left Blank.

SECTION 6.7. Noncompetition. Mr. Fohrman agrees that, from the Closing Date until the fifth anniversary of the termination for any reason whatsoever of his employment (the "Noncompete Period"), unless acting in accordance with Crown Crafts' prior written consent and except as an employee or director of the Company or Crown Crafts, he will not (directly or indirectly), (i) own, manage, operate, join, control, finance or participate in the ownership,

management, operation, control or financing of, or (ii) be connected as an officer, director, employee, principal, agent, representative, consultant, investor, owner, partner, manager, venturer or otherwise with, or permit his name to be used by or in connection with, any Person engaged in (or that proposes to engage in) the business of designing, manufacturing, distributing, selling, importing, sourcing, marketing or producing any type of infant bedding product, textile crib accessory or house furnishing for infant bedrooms in any county in the State of California or any other state of the United States; provided, however, that the provisions of this Section 6.7 shall not be deemed to prohibit the ownership by Mr. Fohrman

of not more than one percent (1%) of any class of securities of any corporation having a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended. Mr. Fohrman acknowledges that (i) he has intimate knowledge of the Business which, if exploited by him, in contravention of this Agreement, would seriously adversely and irreparably affect the value of the Surviving Company to Crown Crafts and the ability of Crown Crafts to continue to operate the Business following the Closing, (ii) the provisions of this Section 6.7 and Sections 6.8 and 6.9 are reasonable and necessary to protect the legitimate interests of Crown Crafts, (iii) the provisions of this Section 6.7 and Sections 6.8 and 6.9 are reasonable and necessary to protect the goodwill of the Business and the other Assets acquired by Crown Crafts hereunder, (iv) any violation of this Section 6.7 or Sections 6.8 and 6.9 will result in irreparable injury to Crown Crafts and the Surviving Corporation and that damages at Law would not be reasonable or adequate compensation to Crown Crafts and the Surviving Corporation for a violation of this Section 6.7 or Sections 6.8 or 6.9, and (v) Crown Crafts and the Surviving Corporation shall be entitled to have the provisions of this Section 6.7 and Sections 6.8 and 6.9 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, including, without limitation, future earnings estimated upon a basis of seven (7) years as the anticipated average tenure of a customer with the Surviving Corporation. In the event that the provisions of this Section 6.7 or Sections 6.8 or 6.9 should ever be deemed to exceed the time, geographic, product or any other limitations permitted by applicable Law, then such provisions shall be deemed reformed to the maximum extent permitted by applicable Law.

SECTION 6.8. Nonsolicitation. Mr. Fohrman agrees that, for the Noncompete Period, he will not (directly or indirectly) call on or solicit for the purpose of providing any goods or services competitive with those offered by the Surviving Corporation to, or divert or take away from the Surviving Corporation the business of (including, without limitation, by divulging to any competitor or potential competitor of the Surviving Corporation or Crown Crafts the name of), any Person who or which at the Closing Date was, or at any time during the three (3) years preceding the Closing Date had been, a customer of the Company or whose identity is known to Mr. Fohrman at the Closing Date as one whom the Surviving Corporation intends to solicit within the succeeding year. Nothing contained in this Section 6.8 shall be deemed to affect in any manner any other provision of this Agreement.

SECTION 6.9. Hiring of the Surviving Corporation's Employees. During the Noncompete Period, Mr. Fohrman will not (directly or indirectly) hire or offer employment to, or assist any other Person in employing, any employee of the Surviving Corporation (whether or not such employment is full time or is pursuant to a written contract with the Surviving Corporation) unless the Surviving Corporation or Crown Crafts first terminates the employment

of such employee. Nothing contained in this Section 6.9 shall affect or be deemed to affect in any manner any other provision of this Agreement.

SECTION 6.10. No Solicitation of Transactions. The Company shall not, directly or indirectly, through any officer, director, agent or otherwise, (i) initiate or solicit or knowingly encourage (including by way of furnishing non-public information or assistance), or take any other action to

facilitate knowingly, any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Third Party Transaction, or (ii) enter into or maintain or continue discussions or negotiate with, or furnish any non-public information or assistance to, any Person in connection with any Third Party Transaction, or (iii) agree to or endorse any Third Party Transaction, or (iv) authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by the Company to take any action described in clause (i), (ii) or (iii) above. The Company shall notify Crown Crafts orally (within two (2) Business Days) and in writing (as promptly as practicable) of all relevant details relating to all inquiries and proposals which it or any other such officer, director, employee, investment banker, financial advisor, attorney, accountant or other representative may receive relating to any of such matters and if such inquiry or proposal is in writing, the Company shall forthwith deliver to Crown Crafts a copy of such inquiry or proposal.

SECTION 6.11. Conduct of Merger Sub's Business. Prior to the Closing, Merger Sub shall not engage in any activities other than activities directly related to the consummation of the Merger.

SECTION 6.12. Consulting Agreement. At the Closing, the Company shall execute and deliver to Mrs. Glickman a consulting agreement in substantially the form of Exhibit A hereto.

SECTION 6.13. Asbestos Remediation. If between the Effective Time and June 1, 1996 the Surviving Corporation shall be required under Environmental Laws to remove any asbestos from buildings or tenant improvements located on either of the parcels of Leased Real Property occupied by the Company as of the date hereof, such removal shall be conducted in a manner intended to minimize the cost thereof to the greatest extent reasonably possible under the circumstances while still complying with Environmental Laws relating to such removal.

SECTION 6.14 Conduct of Title and Merger Litigation. All Title Litigation and, from and after the Closing Date, all Merger Litigation shall be conducted by Crown Crafts, subject to the terms of the Disbursement Agreement in the case of Title Litigation, and shall be conducted in good faith and in a manner reasonably calculated to maximize the Adjustment Amount. Mr. Fohrman shall have the right, but not the obligation, to participate in, but not control, any such Title Litigation or Merger Litigation; provided, however, that Mr. Fohrman shall not have the right to participate in Title Litigation during any time that any party to the Disbursement Agreement, other than Crown Crafts, is controlling such Title Litigation pursuant to the terms of the Disbursement Agreement. During any period that Mr. Fohrman does not have the right to participate in Title Litigation due to the proviso to the preceding sentence, Crown Crafts shall keep Mr. Fohrman informed of the status of such Title Litigation and shall share with him all information relating thereto that is not protected by the attorney-client privilege or

attorney work product privilege. All fees and expenses (including attorneys' fees) incurred by Mr. Fohrman in connection with this Section 6.14 shall be paid by Red Calliope. Legal counsel utilized by Crown Crafts in connection with the Title Litigation and Merger Litigation shall be reasonably acceptable to Mr. Fohrman. In the event of any conflict between this Section 6.14 and the terms of the Disbursement Agreement, the terms of the Disbursement Agreement shall control.

ARTICLE 7  
INDEMNIFICATION

SECTION 7.1. Indemnification Obligations.

(A) Prior to the Closing Date, the Company shall indemnify and hold harmless Crown Crafts, and each Person who controls Crown Crafts, within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and each officer and director of Crown Crafts and any such controlling Person (each an "indemnified party") from, against and in respect of any and all damages (including special and consequential), losses, demands, claims, actions, causes of action, assessments, deficiencies, Liabilities, costs and expenses, including, without limitation, interest, penalties, cost of investigation and defense and reasonable attorneys' and other professional fees and expenses (collectively, "Losses") resulting from, relating to or arising out of any Merger Litigation.

(B) From and after the Closing Date, Mr. Fohrman and Mr. Glickman (the "indemnifying parties"), jointly and severally, shall indemnify and hold harmless each indemnified party from, against and in respect of any and all Losses resulting from, relating to or arising out of (i) any inaccuracy, untruth or incompleteness of any representation or warranty of the Company contained in or made pursuant to this Agreement, regardless of whether the same was deliberate, reckless, innocent or unintentional, or (ii) any taxes, interest or penalties imposed by the IRS or the California Franchise Tax Board or any other governmental authority against the Surviving Corporation with respect to periods prior to and including the Closing Date to the extent that such taxes, interest and penalties are not offset against the Tax Reserves; provided, however, that in the case of Sections 4.3, 4.4 and 4.5, an indemnifying party shall have no liability hereunder for any Losses to the extent that such Losses result from, relate to or arise out of any inaccuracy, untruth or incompleteness of any representation or warranty as to the other indemnifying party.

SECTION 7.2. Method of Asserting Claims, Etc.

(A) All Claims for indemnification under this Article 7 shall be asserted and resolved as follows:

(i) In the event that any Claim for which the indemnifying parties would be liable to an indemnified party hereunder is asserted or sought to be collected by any Person other than an indemnified party (a "Third Party"), such indemnified party shall promptly notify the indemnifying parties of such Claim, specifying the nature of such Claim and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such Claim) (the "Claim Notice").

The indemnifying parties shall have ten (10) days from their receipt of the Claim Notice (the "Notice Period") to notify such indemnified party (x) whether or not they dispute their Liability to such indemnified party hereunder with respect to such Claim, and (y) if the indemnifying parties do not dispute such Liability, whether or not they desire, at their sole cost and expense, to defend such indemnified party against such Claim; provided, however, that such indemnified party is hereby authorized prior to and during the Notice Period to file any motion, answer or other pleading which such indemnified party shall reasonably deem

necessary or appropriate to protect its interests so long as such pleading does not admit any liability or otherwise compromise the possible defenses to such Claim. In the event that either or both of the indemnifying parties notifies such indemnified party within the Notice Period that such indemnifying party does not dispute such Liability and desires to defend against such Claim, then, except as hereinafter provided, such indemnifying party shall have the right to defend by appropriate proceedings, which proceedings shall be conducted in such manner as such indemnifying party shall determine in his reasonable discretion, taking into consideration, among other things, the desire of the indemnified party to minimize the risk of such indemnified party becoming subject to Liability for any other matter. If such indemnified party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If, in the reasonable opinion of such indemnified party, any such Claim involves an issue or matter which is likely to have a material adverse effect on the business, operations, assets, properties or prospects of the Business, Crown Crafts shall have the right to control the defense or settlement of any such Claim, and such indemnified party's reasonable costs and expenses thereof shall be included as part of the indemnification obligations of the indemnifying parties; provided, however, if Crown Crafts elects to control the defense or settlement of any Claim pursuant to this sentence, (1) the indemnifying parties shall have the right to participate in, but not control, such defense, (2) Crown Crafts may not settle any such Claim without the prior written consent of the indemnifying parties, which consent may not be unreasonably withheld, and (3) if Crown Crafts receives a settlement proposal from the Person asserting such Claim and is notified by either of the indemnifying parties that such indemnifying party wants to accept such settlement proposal, the Liability, if any, of the indemnifying parties with respect to such Claim shall equal the lesser of (x) the amount offered in such settlement proposal or (y) the amount of the actual Losses of the indemnified parties with respect to such Claim. If both of the indemnifying parties dispute their Liability with respect to such Claim or demand or elect not to defend against such Claim, whether by not giving timely notice as provided above or otherwise, then the amount of any such Claim, or, if the same be contested by either of the indemnifying parties or by such indemnified party (but such indemnified party shall not have any obligation to contest any such Claim), then that portion thereof as to which such defense is unsuccessful, shall be conclusively deemed to be a Liability of the indemnifying parties hereunder subject, if either of the indemnifying parties has timely disputed liability, to a final adjudication that the disputed liability is covered by these indemnification provisions.

(ii) In the event that an indemnified party should have a Claim against the indemnifying parties hereunder which does not involve a Claim being asserted against or sought to be collected from such indemnified party by a Third Party, such indemnified party shall promptly send a Claim Notice with respect to such Claim to the indemnifying



parties. If the indemnifying parties do not notify such indemnified party within the Notice Period that they dispute such Claim, the amount of such Claim shall be conclusively deemed a liability of the indemnifying parties.

(iii) Nothing herein shall be deemed to prevent any indemnified party from making a Claim hereunder for potential or contingent Claims or demands provided the Claim Notice sets forth the specific basis for any such potential or contingent Claim or demand and the estimated amount thereof to the extent then feasible and the indemnified party has reasonable grounds to believe that such a Claim or demand will be made.

#### SECTION 7.3. Payment.

(A) In the event that either indemnifying party is required to make any payment under this Article 7, such indemnifying party shall promptly pay the indemnified party the amount so determined. If there should be a dispute as to the amount or manner of determination of any indemnity obligation owed under this Article 7, the party from whom indemnification is due shall nevertheless pay when due such portion, if any, of the obligation as shall not be subject to dispute. The difference, if any, between the amount of the obligation ultimately determined as properly payable under this Article 7 and the portion, if any, theretofore paid shall bear interest as provided in Section 7.3(B). Upon the payment in full of any Claim, either by setoff or otherwise, the party making payment shall be subrogated to the rights of the indemnified party against any Person with respect to the subject matter of such Claim.

(B) If all or part of any indemnification obligation under this Agreement is not paid when due, then the indemnifying party obligated to make such payment shall pay the indemnified party or parties interest on the unpaid amount of the obligation for each day from the date the amount became due until payment in full, payable on demand, at the fluctuating rate per annum which at all times shall be the lowest rate of interest generally charged from time to time by Wachovia Bank of Georgia, N.A. and publicly announced by such bank as its so-called "prime rate."

SECTION 7.4. Survival of Representations and Warranties, etc. All of the representations, warranties, covenants and agreements contained in this Agreement or in any attachment, Exhibit, the DISCLOSURE SCHEDULE, certificate, document or list delivered in connection with the Merger shall survive the Closing, any examination by or on behalf of the parties and the consummation of the transactions contemplated herein, but only to the extent specified below:

(i) except as set forth in clauses (ii) and (iii) below, the representations and warranties contained in Article 4 hereof shall survive for a period of one (1) year following the Closing Date;

(ii) the representations and warranties contained in Sections 4.1 through and including 4.6, Sections 4.8 and 4.27 and in Article 5 shall survive as to any claim covered thereby for so long as any statute of limitations for such claim remains open, in whole or in part, including, without limitation, by reason of waiver or extension of such statute of limitations; and

(iii) the representations and warranties contained in Sections 4.16 and 4.25 shall survive for a

period of three (3) years following the Closing Date.

#### SECTION 7.5. Limitations as to Amount.

(A) The indemnifying parties shall not have any liability with respect to the matters described in Section 7.1 (B) until the total of all Losses with respect thereto exceeds \$50,000 in which event the indemnifying parties shall be obligated to indemnify the indemnified party as provided herein for all such Losses, subject to Section 7.5(B).

(B) Except with respect to Claims based upon intentional misrepresentation or intentional breach of warranty by the Company, (i) the liability of an indemnifying party under Section 7.1(B) shall in no event exceed the consideration paid to such indemnifying party pursuant to Section 3.1 and (ii) the collective liability of the indemnifying parties under Section 7.1(B) shall in no event exceed \$7,000,000.

(C) If the allowance for doubtful accounts set forth on the Closing Balance Sheet exceeds the aggregate amount of accounts receivable reflected on the Closing Balance Sheet that ultimately are uncollectable, such excess allowance shall be credited against any amount that the indemnifying parties would otherwise be obligated to pay pursuant to Section 7.1(B).

SECTION 7.6. Status of Indemnifying Parties. The indemnification obligations set forth in this Article 7 are the direct and primary obligations of the indemnifying parties and do not constitute a guaranty of any obligation of the Company or any other Person.

SECTION 7.7. Sole Remedy. Except as otherwise provided in this Agreement, this Article 7 is the sole remedy of Crown Crafts with respect to Losses resulting from, relating to or arising out of any inaccuracy, untruth or incompleteness of any representation or warranty of the Company contained in or made pursuant to this Agreement.

### ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF CROWN CRAFTS

Subject to waiver as set forth in Section 10.9, the obligations of Crown Crafts under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions:

SECTION 8.1. Representations True at Closing. The representations and warranties of the Company set forth in Article 4 shall be true and correct on the Closing Date with the same effect as if made at that time.

SECTION 8.2. Performance by the Company. The Company shall have performed and satisfied all agreements and conditions which it is required by this Agreement to perform or satisfy prior to or on the Closing Date.

SECTION 8.3. Certificates. Crown Crafts shall have received certificates from the Company dated the Closing Date certifying in such detail as Crown Crafts may reasonably request that each of the conditions described in Sections 8.1 and 8.2 has been fulfilled.

SECTION 8.4. Form and Content of Documents. The form and content of all documents, certificates and other instruments to be delivered by the Company shall be reasonably satisfactory to Crown Crafts.

SECTION 8.5. Opinions of Counsel.

(A) Crown Crafts shall have received the written opinion, dated the Closing Date, of Gibson, Dunn & Crutcher, counsel for the Company, in form and substance reasonably satisfactory to Crown Crafts, to the effect that:

(i) The Company is validly organized, existing and in good standing in the State of California and has all requisite corporate power and authority to own and operate its properties and to carry on its business as currently conducted and is duly qualified to do business in each other state in which the failure to so qualify would have a material adverse effect on its operations in such state.

(ii) The Company has full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

(iii) The Company has taken all requisite action to authorize, approve and carry out this Agreement and the transactions on the part of the Company contemplated hereby, and this Agreement constitutes a legal, valid and binding agreement of the Company enforceable against it in accordance with its terms, except as such enforcement may be limited by (x) bankruptcy, insolvency, reorganization, moratorium, and other Laws and legal and equitable principles of general application affecting the rights or remedies of creditors, including, without limitation, statutory or other laws regarding fraudulent conveyances or preferential transfers, and (y) general principles of equity upon the specific enforceability of any of the remedies, covenants or other provisions of this Agreement and upon the availability of injunctive relief or other equitable remedies and the application of principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity) as such principles relate to, limit or affect the enforcement of creditors' rights generally.

(iv) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions on the part of the Company contemplated hereby (x) will not result in any breach, violation, default or acceleration of the obligations of the Company under the Articles of Incorporation or By-Laws of the Company or under any judgment, decree, order, lease, license, contract or other agreement which is applicable to the Company and of which such counsel is aware, and (y) to the

best of such counsel's knowledge, violate any Law, authorization, approval, judgment, decree, order or Regulation applicable to the Company.

(v) The consummation of the transactions on the part of the Company contemplated by this Agreement does not require the consent, approval, authorization or order, giving of notice to, or the registration with, any court or any Governmental Authority or any other Person of which such counsel is aware other than any of the foregoing obtained or made on or prior to the Closing Date.

(vi) To the best of such counsel's knowledge, no action or proceeding against the Company is pending

before any court, or before or by any Governmental Authority, to restrain, prohibit, invalidate or obtain damages with respect to or otherwise question or attack the transactions contemplated by this Agreement.

(vii) The Shares have been validly issued by the Company and are fully paid and non-assessable and represent all of the issued and outstanding Red Calliope Stock.

(B) Crown Crafts shall have received the written opinion, dated the Closing Date, of Jones, Day, Reavis & Pogue, counsel for Mr. Fohrman, in a form reasonably to be negotiated, and in any event subject to customary exceptions and to factual representations by Mr. Fohrman to Jones, Day, Reavis & Pogue, to the effect that Article VII (except for Section 7.6 thereof, as to which no opinion need be given) is enforceable against Mr. Fohrman in accordance with its terms.

SECTION 8.6. Litigation Affecting Closing. No Court Order shall have been issued or entered which would be violated by the completion of the Merger. No Person who or which is not a party to this Agreement shall have commenced or threatened to commence any Litigation seeking to restrain or prohibit, or to obtain substantial damages in connection with, this Agreement or the transactions contemplated by this Agreement, and no Litigation, the unfavorable resolution of which could reasonably be expected to have a Material Adverse Effect shall be pending against the Company.

SECTION 8.7. Material Adverse Changes. From the date hereof to the Closing Date, there shall have been no event or occurrence having a Material Adverse Effect, nor shall there be any conditions existing or threatened that could reasonably be expected to have a Material Adverse Effect.

SECTION 8.8. Regulatory Compliance and Approvals. Crown Crafts shall be satisfied that all approvals required under any Regulations to carry out the Merger shall have been obtained and that the parties shall have complied with all Regulations applicable to the Merger.

SECTION 8.9. HSR Filing. All filings required to be made under the HSR Act shall have been made, and the waiting period thereunder shall have expired or been terminated.

SECTION 8.10. Intentionally Left Blank.

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SECTION 8.11. Consents. The Company shall have delivered to Crown Crafts all consents required to be obtained in connection with the Merger in order to avoid a Default under any Contract to which the Company is a party or by which it may be bound, except where the failure to obtain such consent would not have a Material Adverse Effect. Each of the foregoing must be free from burdensome restrictions and conditions not applicable to the Company prior to the date of this Agreement, and all fees payable in connection with obtaining any such consents shall have been paid by the Company prior to the Closing Date.

SECTION 8.12. Employment Agreements. Neal Fohrman and Nanci Freeman ("Ms. Freeman") shall have entered into Employment Agreements substantially in the form of Exhibit B and C hereto, respectively (the "Employment Agreements").

SECTION 8.13. Tax Reporting Agreement. A Tax Reporting Agreement substantially in the form of Exhibit D hereto (the "Tax Reporting Agreement") shall have been entered into by all the parties thereto other than Crown Crafts.

SECTION 8.14. Dissenting Shares. Holders of not more than fifteen percent (15%) of the Shares shall have elected and perfected their appraisal rights under Chapter 13 of the CGCL prior to the Closing.

SECTION 8.15. Disbursement Agreement. Each of the parties to the Disbursement Agreement attached hereto as Exhibit E (the "Disbursement Agreement") (with the exception of Crown Crafts and Merger Sub) shall have performed and satisfied all agreements and conditions which it is required thereby to perform or satisfy prior to or on the Closing Date.

#### ARTICLE 9

#### CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY

Subject to waiver as set forth in Section 10.9, the obligations of the Company under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions:

SECTION 9.1. Representations of Crown Crafts True at Closing. The representations and warranties of Crown Crafts set forth in Article 4 shall be true and correct on the Closing Date with the same effect as if made at that time.

SECTION 9.2. Performance by Crown Crafts. Crown Crafts shall have performed and satisfied all agreements and conditions which it is required by this Agreement to perform or satisfy prior to or on the Closing Date.

SECTION 9.3. Officer's Certificate. The Company shall have received a certificate from an appropriate officer of Crown Crafts dated the Closing Date certifying in such detail as the Company may reasonably request that each of the conditions described in Sections 9.1 and 9.2 has been fulfilled.

SECTION 9.4. Incumbency Certificate. The Company shall have received a certificate of the Secretary or an Assistant Secretary of Crown Crafts dated the Closing Date

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certifying to the incumbency of the officers of Crown Crafts signing for it and as to the authenticity of their signatures.

SECTION 9.5. Form and Content of Documents. The form and content of all documents, certificates and other instruments to be delivered by Crown Crafts shall be reasonably satisfactory to the Company.

SECTION 9.6. Litigation Affecting Closing. No Court Order shall have been issued or entered which would be violated by the completion of the Merger. No Person who or which is not a party to this Agreement shall have commenced or threatened to commence any Litigation seeking to restrain or prohibit, or to obtain substantial damages in connection with, this Agreement or the transactions contemplated by this Agreement.

SECTION 9.7. Regulatory Compliance and Approval. The Company shall be satisfied that all approvals required under any Regulations to carry out the Merger shall have been obtained and that the parties have complied with all Regulations applicable to the Merger.

SECTION 9.8. HSR Filing. All filings required to be made under the HSR Act shall have been made, and the waiting period thereunder shall have expired or been terminated.

SECTION 9.9. Intentionally Left Blank.

SECTION 9.10. Ancillary Agreements. The Company shall have entered into each of the Ancillary Agreements.

SECTION 9.11. Release of Guarantees. Mr. Fohrman shall have been released from all personal guarantees with respect to Liabilities of the Company, or Crown Crafts shall have fully indemnified Mr. Fohrman with respect thereto.

ARTICLE 10  
MISCELLANEOUS

SECTION 10.1. Public Announcements. No party hereto will, at any time, without the prior written consent of Crown Crafts and the Company, make any announcement, issue any press release or make any statement to any Third Party with respect to this Agreement or any of the terms or conditions hereof except as may be necessary to comply with any Law, Regulation or order and then only after prior written notice to Crown Crafts of the timing, context and content of such announcement, press release or statement.

SECTION 10.2. Payment of Expenses. Each of the Company, Mr. Fohrman, Mr. Glickman and Crown Crafts will pay all legal, accounting and other fees and expenses which such party incurs in connection with this Agreement and the transactions contemplated hereby, and none of the expenses of Mr. Fohrman, Mr. Glickman or any other shareholder of the Company shall be paid by the Company or out of any of the Assets, provided that all such fees and expenses of the Company (including, without limitation, fees and expenses relating to professional services provided by the Company's independent accountants, Lederman, Zeidler & Co., and the Company's legal counsel, Gibson, Dunn & Crutcher) shall be paid by the Company

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prior to Closing so that the entire amount thereof is reflected on the Closing Balance Sheet. Notwithstanding the foregoing, if (i) the Merger is not consummated by October 31, 1995 due to (x) the breach by the Company, Mr. Glickman or Mr. Fohrman of any covenant contained herein, (y) the failure of any condition to Closing, other than any failure due to the action or inaction of Crown Crafts or any failure due to the refusal of an independent Third Party (other than any signatory to Exhibit E hereto, any court with jurisdiction over, or any creditors committee acting in connection with, the reorganization of Property Mortgage Co., Inc. or the personal bankruptcy of any shareholder of the Company) to give any necessary consent, approval or clearance, or (z) the action or inaction of the Company or any shareholder of the Company or Mr. R. Todd Neilson (or his successor) as Resolution Agent for Reorganized Property Mortgage Co., Inc. and (ii) Crown Crafts is not then in breach of any of its covenants contained herein, then the Company shall reimburse Crown Crafts for (x) its actual, documented out-of-pocket expenses (including attorneys fees and expenses) incurred in connection with the Acquisition but not to exceed \$125,000 and (y) the filing fee paid by Crown Crafts with respect to any filing required under the HSR Act in connection herewith.

SECTION 10.3. Termination by Mutual Consent. This Agreement may be terminated at any time on or prior to the Closing Date by mutual consent of the parties hereto.

SECTION 10.4. Termination for Breach. Crown Crafts may terminate its obligations under this Agreement at any time on or prior to the Closing Date if the Company shall have breached any of its representations, warranties or other obligations under this Agreement in any material respect and such breach shall not have been cured within five (5) days after receipt of notice from

Crown Crafts of such breach. The Company may likewise terminate its obligations under this Agreement at any time on or prior to the Closing Date if Crown Crafts shall have breached any of its representations, warranties or other obligations under this Agreement in any material respect and such breach shall not have been cured within five (5) days after receipt of notice from Red Calliope of such breach. Such termination may be effected by written notice from either Crown Crafts or the Company, as appropriate, citing the reasons for termination and shall not subject the terminating party to any liability for any valid termination.

SECTION 10.5. Intentionally Left Blank.

SECTION 10.6. Other Events of Termination. This Agreement may be terminated and the Merger may be abandoned by (i) action of the Board of Directors of Crown Crafts if the Merger shall not have been consummated by October 31, 1995 or (ii) action of the Board of Directors of either the Company or Crown Crafts (1) if the Merger shall not have been consummated and this Agreement shall not have been terminated prior to December 31, 1995, or (2) a United States federal or state court of competent jurisdiction or United States federal or state governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable and the party seeking to terminate this Agreement pursuant to this clause (ii) shall have used all reasonable efforts to remove such injunction, order or decree, whereupon all of the rights and obligations of the parties under this Agreement shall terminate without liability, except as provided in Section 10.2 and except for

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liability in the event the Closing does not occur and this Agreement terminates by reason of a default or breach by any party hereto.

SECTION 10.7. Brokers' and Finders' Fees. The Company and Crown Crafts each to the other represents and warrants that all negotiations relative to this Agreement have been carried on by them directly without the intervention of any Person, firm, corporation or other entity who or which may be entitled to any brokerage fee or other commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, and each of them shall indemnify and hold the other or any affiliate of them harmless against any and all Claims, losses, liabilities or expenses which may be asserted against any of them as a result of any dealings, arrangements or agreements by the indemnifying party with any such Person, firm, corporation or other entity.

SECTION 10.8. Assignment and Binding Effect. This Agreement may not be assigned prior to the Closing by any party hereto without the prior written consent of the other parties. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the Company and Crown Crafts and by the heirs, executors, legal representatives, successors and assigns of Mr. Fohrman and Ms. Freeman.

SECTION 10.9. Waiver. Any term or provision of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument executed by such party. Notwithstanding the foregoing, Crown Crafts may not waive the Company's compliance with Section 6.12 without the prior written consent of Mrs. Glickman.

SECTION 10.10. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if delivered personally to the address set forth below (to the attention of the Person identified below) or sent by telegram or by registered or certified mail, postage prepaid, as follows:

If to Crown Crafts or Merger Sub, to:

Crown Crafts, Inc.  
1600 River Edge Parkway  
Suite 200  
Atlanta, Georgia 30328  
Attention: President

With required copies to:

Rogers & Hardin  
2700 Cain Tower, Peachtree Center  
229 Peachtree Street, N.E.  
Atlanta, Georgia 30303  
Attention: Steven E. Fox, Esq.

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If to the Company, to:

The Red Calliope & Associates, Inc.  
1303 South Figueroa Street  
Los Angeles, California 90601  
Attention: President

With required copies to:

Gibson, Dunn & Crutcher  
333 South Grand Avenue  
Los Angeles, California 90071-3197  
Attention: Aulana Peters, Esq.

If to Mr. Fohrman:

Neal Fohrman  
1536 Skylark Lane  
Los Angeles, California 90069

With required copies to:

Jones, Day, Reavis & Pogue  
2603 Main Street, 9th Floor  
Irvine, California 92714  
Attention: Leonard J. McGill, Esq.

If to Mr. Glickman

Mr. Stanley Glickman  
132 South Spaulding, Apt. 216  
Beverly Hills, California 90212

With required copies to:

Leonard, Dicker & Schreiber



9430 Olympic Boulevard, Suite 400  
Beverly Hills, California 90212-4552  
Attention: Lee T. Dicker, Esq.

or to such other address as the addressee may have specified in a notice duly given to the sender and to counsel as provided herein. Such notice, request, demand, waiver, consent, approval or

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other communication will be deemed to have given as of the date so delivered or telegraphed or, if mailed, five (5) business days after the date so mailed.

SECTION 10.11. Governing Law. This Agreement shall be governed by and interpreted and enforced in accordance with the Laws of California without reference to the conflict of laws principles thereof.

SECTION 10.12. Remedies Not Exclusive. Except as provided in Section 7.5, nothing in this Agreement shall be deemed to limit or restrict in any manner other rights or remedies that any party may have against any other party at law, in equity or otherwise.

SECTION 10.13. No Benefit to Others. The representations, warranties, covenants and agreements contained in this Agreement are for the sole benefit of the parties hereto and their respective heirs, executors, legal representatives, successors and assigns, and they shall not be construed as conferring and are not intended to confer any rights on any other Persons.

SECTION 10.14. Contents of Agreement. This Agreement, together with any documents referred to herein, sets forth the entire agreement of the parties hereto with respect to the transactions contemplated hereby. This Agreement may not be amended except by an instrument in writing signed by the parties hereto, and no claimed amendment, modification, termination or waiver shall be binding unless in writing and signed by the party against whom or which such claimed amendment, modification, termination or waiver is sought to be enforced.

SECTION 10.15. Section Headings and Gender. All section headings and the use of a particular gender are for convenience only and shall in no way modify or restrict any of the terms or provisions hereof. Any reference in this Agreement to a Section, Exhibit or the DISCLOSURE SCHEDULE shall be deemed to be a reference to a Section, Exhibit or the DISCLOSURE SCHEDULE of this Agreement unless the context otherwise expressly requires.

SECTION 10.16. Disclosure Schedule and Exhibits. All attachments, Exhibits and the DISCLOSURE SCHEDULE referred to herein are intended to be and hereby are specifically made a part of this Agreement. An item disclosed in the DISCLOSURE SCHEDULE in response to one Section of this Agreement shall be deemed disclosed in response to any other Section.

SECTION 10.17. Cooperation. Subject to the provisions hereof, the parties hereto shall use their best efforts to take, or cause to be taken, such action, to execute and deliver, or cause to be executed and delivered, such additional documents and instruments and to do, or cause to be done, all things necessary, proper or advisable under the provisions of this Agreement and under applicable Law to consummate and make effective the transactions contemplated by this Agreement.

SECTION 10.18. Severability. Any provision of this

Agreement which is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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SECTION 10.19. Counterparts. This Agreement may be executed in two or more counterparts, each of which is an original and all of which together shall be deemed to be one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by all of the parties. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

SECTION 10.20. Knowledge. As used in this Agreement, the terms "to the best of the Company's knowledge," "to the Company's best knowledge," "known to the Company," "of which the Company is aware," or words of similar import used herein shall mean the actual knowledge or awareness of each officer and director of the Company, together with the knowledge or awareness a reasonable business person in the position of such officer or director would have obtained after making reasonable inquiry of all employees and directors of the Company and after exercising reasonable diligence with respect to any knowledge so obtained.

SECTION 10.21. Incorporation by Reference. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

SECTION 10.22. Costs and Attorneys' Fees. In the event that any dispute among the parties hereto should result in litigation, the prevailing party shall have and recover against the other parties, in addition to all court costs, expert witness fees and other disbursements, such sum as the court may determine to be a reasonable attorney's fee, and such recovery may include reasonable fees and costs incurred in connection with the matter but prior to the commencement of the action.

SECTION 10.23. Equitable Remedies. The parties hereto agree that any violation of this Agreement by Crown Crafts on the one hand or Red Calliope on the other hand will result in irreparable injury to the non-breaching party and that damages at Law would not be reasonable or adequate compensation to such non-breaching party for a violation of this Agreement, and the non-breaching 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.

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IN WITNESS WHEREOF, each of Mr. Glickman and Mr. Fohrman has duly executed and delivered this Agreement, and each of the Company, Merger Sub and Crown Crafts has caused this Agreement to be duly executed and delivered on its behalf by an officer thereunto duly authorized, all as of the date first written above.

CROWN CRAFTS, INC.

By: /s/ Paul A. Criscillis, Jr.

-----  
Its: Vice President  
-----

Attest: /s/ Roger D. Chittum  
-----

Its: Secretary  
-----

[CORPORATE SEAL]

CC ACQUISITION CORP.

By: /s/ Paul A. Criscillis, Jr.  
-----

Its: Vice President  
-----

Attest: /s/ Roger D. Chittum  
-----

Its: Secretary  
-----

[CORPORATE SEAL]

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THE RED CALLIOPE & ASSOCIATES, INC.

By: /s/ Neal Fohrman  
-----

Its: President  
-----

Attest: /s/ Nanci Freeman  
-----

Its: Secretary  
-----

[CORPORATE SEAL]

/s/ Neal Fohrman  
-----  
NEAL FOHRMAN, Individually

/s/ Stanley Glickman  
-----  
STANLEY GLICKMAN, Individually

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SCHEDULE 3.1

SHAREHOLDER	CLOSING PAYMENT		CLOSING PAYMENT
-----	-----	-----	
<S>	<C>	<C>	
Neal Fohrman, as voting trustee under that certain Voting Trust Agreement dated as of February 16, 1993 between Mr. Fohrman as trustee and the Stanley and Carol Glickman Family Trust as beneficiary	\$3,980,214	\$5,136,741	
Neal Fohrman, individually	\$4,033,997	\$5,152,964	
Robert Mann, as executor of the estate of Elliot Fine	\$1,625,179	\$2,050,228	
Edward Tannenbaum	\$ 493,910	\$ 626,367	

</TABLE>

EXHIBIT 2.2

AMENDMENT NO. 1 TO MERGER AGREEMENT

THIS AMENDMENT NO. 1 TO MERGER AGREEMENT (this "Amendment") is entered into as of October 31, 1995, by and among CROWN CRAFTS, INC., a Georgia corporation ("Crown Crafts"), CC ACQUISITION CORP., a California corporation and a wholly owned subsidiary of Crown Crafts ("Merger Sub"), THE RED CALLIOPE AND ASSOCIATES, INC., a California corporation ("Red Calliope" or the "Company"), STANLEY GLICKMAN, an individual resident of the State of California ("Mr. Glickman"), and CAROL GLICKMAN, an individual resident of the State of California ("Mrs. Glickman") (Mr. Glickman and Mrs. Glickman, individually and as trustees of the Glickman Family Trust and as partners in the Glickman Family Investment Partnership, being referred to collectively as the "Glickmans"), and NEAL FOHRMAN, an individual resident of the State of California ("Mr. Fohrman").

WITNESSETH:

WHEREAS, the parties hereto (other than Mrs. Glickman) have entered into that certain Merger Agreement (the "Merger Agreement"), dated as of October 8, 1995, by and among Crown Crafts, Merger Sub, Red Calliope, Mr. Glickman and Mr. Fohrman;

WHEREAS, the parties hereto have determined that it is desirable to amend the Merger Agreement;

NOW, THEREFORE, in consideration of the foregoing and the provisions set forth below, the parties hereto hereby agree as follows:

SECTION 1. AMENDMENT OF SECTION 2.6. Section 2.6 of the Agreement is hereby amended to read in its entirety as follows:

SECTION 2.6. CLOSING; EFFECTIVE TIME. The closing of the Merger (the "Closing") shall, unless another date, time or place is agreed to in writing by all parties hereto, take place at the offices of Gibson, Dunn & Crutcher, 333 South Grand Avenue, Los Angeles, California 90071 at 8:00 a.m., Los Angeles time, on October 31, 1995 (the "Closing Date"). If, on or before the Closing Date, all the conditions set forth in Articles 8 and 9 shall have been fulfilled or waived in accordance with the terms hereof and this Agreement shall not have been terminated in accordance with Section 10.3, 10.4 or 10.6, then the parties hereto shall cause to be properly executed and filed on the Closing Date with the Secretary of State of the State of California an agreement of merger and accompanying certificates of approval conforming to law (collectively, the "Certificate of Merger"). The Merger shall become effective as of the time of filing of the properly executed Certificate of Merger. The date and time when the Merger becomes effective is herein referred to as the "Effective Time." Notwithstanding anything to the contrary herein, if at the Effective Time the condition set forth in Section 8.15 hereof is not satisfied, then Crown Crafts may terminate this Agreement, whereupon all of the rights and obligations of the parties under this Agreement shall terminate without liability, except as provided in Section 10.2 and except for liability due to a default or breach by any party.

SECTION 2. AMENDMENT OF SECTION 6.1(XVII). Section 6.1(xvii) of the Agreement is hereby amended to read in its entirety as follows:

(xvii) use its reasonable best efforts to obtain any consents or approvals required under any

Contracts or otherwise that are necessary to complete the Merger or to avoid a Default under any such Contract, provided that Red Calliope shall not be required to make payments in excess of an aggregate of \$200,000 in order to obtain such consents and approvals;

SECTION 3. AMENDMENT OF SECTION 7.1. Section 7.1 of the Agreement is hereby amended by adding new paragraph (C) as follows:

(C) Notwithstanding the foregoing, from and after the Closing Date the Glickmans, jointly and severally, and Mr. Fohrman shall indemnify and hold harmless each indemnified party from, against and in respect of any and all Losses resulting from, relating to or arising out of any inaccuracy, untruth or incompleteness of any representation or warranty of the Company contained in the third sentence of Section 4.2 hereof, regardless of whether the same was deliberate, reckless, innocent or unintentional. For purposes of this Agreement, but solely as it pertains to actions pursuant to this Section 7.1(C),

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(i) such third sentence of Section 4.2 shall be deemed to be amended at the end thereof to add the words "and the Glickmans further represent and warrant that they have never sold or otherwise transferred any shares of the capital stock of the Company other than shares sold or otherwise transferred to the Glickman Family Trust, the Glickman Family Investment Partnership, Edward Tannenbaum, Mr. Fohrman, Elliot Fine (to whom they sold, or otherwise transferred, 215 shares in or about 1991 and to whom they made no other sales or transfers) or the Company"; and

(ii) the term "indemnifying parties" shall mean Mr. Fohrman and the Glickmans.

Any other indemnity and hold harmless provision appearing elsewhere in this Agreement purporting to apply to the third sentence of Section 4.2 hereof shall be subject to and qualified by this Section 7.1(C) and by all other clauses and provisions referring to this Section 7.1(C).

SECTION 4. AMENDMENT OF SECTION 7.2. Section 7.2 of the Agreement is hereby amended by adding new paragraph (B) as follows:

(B) Notwithstanding the foregoing, in connection with any Claim arising pursuant to Section 7.1(C) hereof, the indemnified parties shall follow the procedures required pursuant to Section 7.2(A)(i) hereof, but in the event it is determined that any of the indemnifying parties is required to make a payment to the indemnified parties pursuant to Section 7.1(C), the indemnified parties shall first exhaust all remedies legally available to them to collect such amount from the Glickmans, and only thereafter shall the indemnified parties be entitled to collect any such amounts from Mr. Fohrman, and then only to the extent of the balance not paid by the Glickmans.

SECTION 5. AMENDMENT OF SECTION 7.4. Section 7.4 of the Agreement is hereby amended to read in its entirety as follows:

SECTION 7.4. SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC. All of the representations, warranties, covenants and agreements contained in this Agreement or in any attachment, Exhibit, the DISCLOSURE SCHEDULE, certificate, document or list delivered in connection with the Merger shall survive the Closing, any

examination by or on behalf of the parties and the consummation of the transactions contemplated herein, but only to the extent specified below:

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(i) except as set forth in clauses (ii), (iii) and (iv) below, the representations and warranties contained in Article 4 hereof shall survive for a period of one (1) year following the Closing Date;

(ii) the representations and warranties contained in Sections 4.1 through and including 4.6, Sections 4.8 and 4.27 and in Article 5 shall survive as to any claim covered thereby for so long as any statute of limitations for such claim remains open, in whole or in part, including, without limitation, by reason of waiver or extension of such statute of limitations;

(iii) the representations and warranties contained in Sections 4.16 and 4.25 shall survive for a period of three (3) years following the Closing Date; and

(iv) notwithstanding the foregoing, the representation and warranty contained in the third sentence of Section 4.2, for which indemnification is provided in Section 7.1(C) hereof, shall survive as to any claim covered thereby for so long as any statute of limitations for such claim remains open, in whole or in part, including, without limitation, by reason of waiver or extension of such statute of limitations.

SECTION 6. AMENDMENT OF SECTION 7.5. Section 7.5 of the Agreement is hereby amended to read in its entirety as follows:

SECTION 7.5. LIMITATIONS AS TO AMOUNT.

(A) Mr. Glickman and Mr. Fohrman shall not have any liability with respect to the matters described in Section 7.1 (B) until the total of all Losses with respect thereto (not including Losses with respect to the matters described in Section 7.1(C)) exceeds \$50,000 in which event Mr. Glickman and Mr. Fohrman shall be obligated to indemnify the indemnified party as provided herein for all such Losses, subject to Section 7.5(B).

(B) Except with respect to Claims based upon intentional misrepresentation or intentional breach of warranty by the Company, (i) the liability of Mr. Glickman or Mr. Fohrman under Section 7.1(B) and (C) shall in no event exceed the consideration paid to or on behalf of Mr. Glickman or Mr. Fohrman, as relevant, pursuant to Section 3.1 and (ii) the collective liability of Mr. Glickman and Mr. Fohrman under Section 7.1(B) and (C) shall in no event exceed \$7,000,000.

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(C) If the allowance for doubtful accounts set forth on the Closing Balance Sheet exceeds the aggregate amount of accounts receivable reflected on the Closing Balance Sheet that ultimately are uncollectible, such excess allowance shall be credited against any amount that Mr. Glickman and Mr. Fohrman would otherwise be obligated to pay pursuant to Section 7.1(B).

(D) Notwithstanding the foregoing, except with respect to Claims based upon intentional misrepresentation or intentional breach of warranty by Mrs. Glickman, the liability of Mrs. Glickman under Section 7.1(C) shall in no event exceed \$360,000.

SECTION 7. AMENDMENT OF SECTION 10.6. Section 10.6 of the Agreement is hereby amended to read in its entirety as follows:

SECTION 10.6. OTHER EVENTS OF TERMINATION. This Agreement may be terminated and the Merger may be abandoned by (i) action of the Board of Directors of Crown Crafts if the Effective Time shall not have occurred by the close of business on November 10, 1995 or (ii) action of the Board of Directors of either the Company or Crown Crafts (1) if the Effective Time shall not have occurred and this Agreement shall not have been terminated prior to December 31, 1995, or (2) a United States federal or state court of competent jurisdiction or United States federal or state governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable and the party seeking to terminate this Agreement pursuant to this clause (ii) shall have used all reasonable efforts to remove such injunction, order or decree, whereupon all of the rights and obligations of the parties under this Agreement shall terminate without liability, except as provided in Section 10.2 and except for liability in the event the Closing does not occur and this Agreement terminates by reason of a default or breach by any party hereto.

SECTION 8. RATIFICATION. Except as expressly amended by the terms hereof, the Agreement is hereby reaffirmed by each of the parties hereto.

IN WITNESS WHEREOF, each of Mr. Glickman, Mrs. Glickman and Mr. Fohrman has duly executed and delivered this Amendment, and each of the Company, Merger Sub and Crown Crafts has caused this Amendment to be duly executed and delivered

on its behalf by an officer thereunto duly authorized, all as of the date first written above.

CROWN CRAFTS, INC.

By:

-----

Name: E. Randall Chestnut  
Title: Vice President



CC ACQUISITION CORP.

By:

-----  
Name: E. Randall Chestnut  
Title: President

THE RED CALLIOPE AND ASSOCIATES, INC.

By:

-----  
Name: Neal Fohrman  
Title: President

NEAL FOHRMAN, Individually

STANLEY GLICKMAN, Individually and as  
trustee of the Glickman Family Trust and  
as a partner in the Glickman Family  
Investment Partnership

CAROL GLICKMAN, Individually and as  
trustee of the Glickman Family Trust and  
as a partner in the Glickman Family  
Investment Partnership

EXHIBIT 10.1

EXHIBIT A

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement"), is made and dated as of \_\_\_\_\_, 1995, by and between THE RED CALLIOPE AND ASSOCIATES, INC., a California corporation (the "Company"), and CAROL GLICKMAN, an individual resident of California ("Consultant").

W I T N E S E T H:

WHEREAS, execution of this Agreement is a condition to closing under that certain Merger Agreement dated as of October 8, 1995 (the "Merger Agreement") between the Company, Crown Crafts, Inc. and certain other parties (the "Merger");

WHEREAS, Consultant is a founder of the Company and has made valuable contributions to the profitability and financial strength of the Company;

WHEREAS, the Company desires to encourage Consultant to continue to make valuable contributions to the Company's business operations after the Merger; and

WHEREAS, the Company desires to provide fair and reasonable benefits to Consultant on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of these premises, the mutual covenants and undertakings herein contained, each intending to be legally bound, Consultant and the Company covenant and agree as follows:

1. DUTIES.

In consideration of the payments to be made by the Company to Consultant as provided in Section 2 below, Consultant shall during the first three years of the Term (as hereinafter defined) provide up to twelve (12) hours of consulting services per month, and during each of the remaining years of the Term provide up to eight (8) hours of consulting services per month, to the Company on such matters pertaining to the business of the Company as may, from time to time, be requested of her by the Chief Executive Officer of the Company. In this regard, Consultant shall be available throughout the Term at reasonable times, and upon reasonable notice, to meet with the Board of Directors or the Chief Executive Officer of the Company, for the purposes of providing such consulting services. Further, Consultant shall, in connection with such consulting services and subject to reasonable scheduling conflicts, including

religious holidays and Consultant's other employment, if any, attend such meetings, consult with such persons and engage in such activities to promote the business and image of the Company, as the Chief Executive Officer of the Company shall reasonably request; provided, however, that Consultant shall only be obligated to perform consulting services commensurate with her status as a founder of the Company and only those services which the Chief Executive Officer of the Company believes, in good faith, to be

fairly requested and to be of benefit to the Company; and provided further that the foregoing shall not be deemed to restrict Consultant from accepting part or full-time employment from, or providing consulting services to, someone other than the Company so long as such activities are not inconsistent with Consultant's obligations under Section 7 hereof and do not otherwise interfere with the responsible performance of Consultant's duties hereunder.

## 2. COMPENSATION.

(A) For the consulting services to be provided by the Consultant hereunder, the Company shall pay to the Consultant the annual sum of Fifty Nine Thousand Dollars (\$59,000.00) for each of the first three (3) years of the Term and Thirty Nine Thousand Dollars (\$39,000.00) for each of the remaining years of the Term, which sum shall be paid in equal monthly installments on the last business day of each month.

(B) In performing her consulting services hereunder, Consultant shall be an independent contractor and shall not be, or be deemed to be, an employee or agent of the Company. Except as may be specifically authorized in a writing in advance by the Chief Executive Officer of the Company, Consultant shall have no right or authority to act for or on behalf of the Company or otherwise to enter into any agreements or make any commitments with third parties binding upon the Company.

(C) The amounts payable under Section 2(A) above shall be paid without deduction for state or federal withholding taxes, social security or other like sums and, by virtue of being an independent contractor hereunder, Consultant alone shall be responsible for the payment of all such taxes and sums levied or assessed with respect to the amounts paid to Consultant hereunder; provided, however, if it is determined that Consultant is an employee for purposes of the Federal Insurance Contributions Act, federal or state unemployment compensation taxes or other like taxes or levies, notwithstanding her status as an independent contractor hereunder, Consultant shall not be liable for any such taxes or levies to the extent they are by applicable law imposed on employers and not withheld from employee compensation.

(D) Consultant shall be entitled to receive reimbursement for all reasonable expenses incurred by her in connection with the fulfillment of her duties hereunder upon presentation of appropriate vouchers therefor, provided that Consultant has complied with all reasonable policies and procedures relating to

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the reimbursement of such expenses as shall, from time to time, be established by the Company.

3. TERM. The term of this Agreement shall begin on the date hereof (the "Effective Date") and, unless otherwise earlier terminated pursuant to Section 5 hereof, shall end on the date which is ten (10) years following the Effective Date (the "Term").

4. TERMINATION. Subject to the respective continuing obligations of the parties, including, but not limited to, those set forth in Section 5 hereof, this Agreement may be terminated as follows:

(A) The Company, by action of the Board and upon written notice to Consultant, may terminate this Agreement immediately for cause. For purposes of this Subsection 4(A), "cause" for termination of this Agreement hereunder shall exist (a) if the Consultant is convicted of (from which no appeal

may be taken), or pleads guilty to, any act of fraud, misappropriation or embezzlement, or any felony, (b) if, in the determination of the Board, the Consultant has engaged in gross or willful misconduct materially damaging to the business of the Company (it being understood, however, that unintentional physical damage to any property of the Company by Consultant shall not be a ground for such a determination by the Board), or (c) if Consultant has failed, without reasonable cause (it being understood that Consultant's inability to perform her duties hereunder due to death, injury, illness or disability (mental or physical) shall constitute reasonable cause hereunder), to follow material, reasonable written instructions of the Board or the Chief Executive Officer consistent with Consultant's position and her duties hereunder and after written notice from the Company of such failure, Consultant at any time thereafter again so fails.

- (B) Consultant, upon thirty (30) days written notice to the Company, may terminate this Agreement for any reason.

#### 5. NOTICE OF TERMINATION AND DATE OF TERMINATION.

Any termination of this Agreement as contemplated by Section 4 hereof shall be communicated by written "Notice of Termination" by the terminating party to the other party hereto. Any "Notice of Termination" pursuant to Subsection 4(A) shall indicate the specific provisions of this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination. For purposes of this Agreement, "Date of Termination" shall mean the date specified in the Notice of Termination; provided, however, that if within thirty (30) days after any such Notice of Termination is given, the party

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receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

#### 6. REPRESENTATIONS AND WARRANTIES.

(A) Consultant represents and warrants to the Company hereto that: (a) she has the full power and authority to execute, deliver and perform this Agreement, and that she has taken all actions necessary to secure all approvals required in connection herewith; (b) this Agreement has been duly executed and delivered by her and constitutes her valid and binding agreement, enforceable against her in accordance with its terms; and (c) the execution, delivery and performance of this Agreement and the consummation of the transaction contemplated hereby will not, with the passage of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to, any material mortgage, lien, leases, agreement, instrument, order, arbitration award, judgment or decree to which she is a party or by which she or any of her assets are bound.

- (B) The Company hereby represents and

warrants to Consultant that: (a) this Agreement has been duly authorized, executed and delivered by it, and constitutes the valid and binding agreement of the Company, enforceable against it in accordance with its terms; (b) it has the full power and authority to execute, deliver and perform this Agreement and has taken all actions necessary to secure all approvals required in connection herewith; and (c) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passage of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to, its Articles of Incorporation or By-Laws or any material mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which the Company is a party or by which it or any of its assets are bound.

7. RESTRICTIVE COVENANTS. Consultant agrees to be bound by and subject to Sections 6.7, 6.8 and 6.9 of the Merger Agreement to the same extent as Neal Fohrman is bound thereby except that, as to Consultant, the duration of the "Noncompete Period" shall be equal to the duration of the Term hereunder.

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8. NOTICES. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Consultant: Carol Glickman  
c/o Kopple & Klinger  
2029 Century Park East  
Suite 10210  
Los Angeles, California 90067  
Attn: Robert C. Kopple, Esq.

If to the Company: The Red Calliope & Associates, Inc.  
13003 South Figueroa Street  
Los Angeles, California 90061  
Attention: President

or to such address as either party hereto may have furnished to the other party in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. GOVERNING LAW. The validity, interpretation, and performance of this Agreement shall be governed by the laws of the State of California without giving effect to the conflicts of laws principles thereof.

10. MODIFICATION. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Consultant and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of dissimilar provisions or conditions at the same or any prior subsequent time. No agreements or representation, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

11. SEVERABILITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity

or enforceability of any other provisions of this Agreement which shall remain in full force and effect.

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

13. ASSIGNMENT. This Agreement is personal in nature and neither party hereto shall, without consent of the other, assign or transfer this Agreement or any rights or obligations hereunder;

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provided, however, that nothing herein shall limit Consultant from assigning or transferring, by pledge, creation of a security interest or otherwise, any or all of Consultant's right to receive the Compensation provided in Section 2(A) hereof.

14. ENTIRE AGREEMENT. This Agreement, together with that certain Voting Agreement of even date herewith and that certain Disbursement Agreement of even date herewith, as to each of which Consultant is a party, constitute the entire agreement between the parties hereto and supersede all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

15. ATTORNEYS' FEES. If any action shall be brought by either party hereto to enforce the provisions of this Agreement, the prevailing party shall be entitled to receive reasonable attorneys' fees and costs from the losing party in such action.

IN WITNESS WHEREOF, Consultant has executed and delivered this Agreement, and the Company has caused this Agreement to be executed and delivered, all as of the day and year first above set forth.

THE RED CALLIOPE AND ASSOCIATES, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Attest: \_\_\_\_\_

Its: \_\_\_\_\_

[CORPORATE SEAL]

(SEAL)

\_\_\_\_\_  
CAROL GLICKMAN

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EXHIBIT 10.2

EXHIBIT B

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is effective as of October 27, 1995, by and between Crown Crafts, Inc., a Georgia corporation ("Crown Crafts"), The Red Calliope & Associates, Inc., a California corporation (the "Company"), and Neal Fohrman (the "Executive").

WHEREAS, Crown Crafts is acquiring the entire equity interest of the Company by means of a merger pursuant to a Merger Agreement dated as of October 8, 1995 the ("Merger Agreement"); and

WHEREAS, Executive is the President and Chief Executive Officer of the Company and desires to continue his employment with the Company in such capacity; and

WHEREAS, Crown Crafts desires that Executive continue to serve in the capacity of President and Chief Executive Officer of the Company; and

WHEREAS, Crown Crafts, the Company and Executive, in conjunction with and pursuant to the terms of the Purchase Agreement, desire to set forth in writing the terms and conditions of Executive's continued employment with the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Employment and Duties.

(a) The Company hereby agrees to continue to employ Executive and Executive agrees to continue employment in his capacity as President and Chief Executive Officer of the Company to act in accordance with the terms and conditions set forth herein. Upon the promotion of Nanci Freeman to the position of President and Chief Executive Officer, Executive agrees to resign from such positions and to assume a title commensurate with his experience and contribution to the Company. Executive also consents to serve without additional compensation, if elected, as a director of the Company. During the term of this Agreement, Executive agrees that this position will be his principal employment, that he will serve the Company faithfully and to the best of his ability and that he will devote his full business time, attention and skills to the operation of the Business of the Company (as defined herein), subject to reasonable absences for vacation and illness, and that he will perform such duties, functions and

responsibilities in connection with such position and consistent with the foregoing as are from time to time delegated to Executive by the Board of Directors of the Company; provided, however, that the foregoing shall not be deemed to restrict Executive from devoting a reasonable amount of time and attention to the management of his personal affairs and investments, so long as such activities do not interfere with the responsible performance of Executive's duties hereunder. Executive shall provide the Board with periodic reports on, and keep them informed on a current basis concerning, the business and affairs

of the Company. For purposes of this Agreement, the Business of the Company shall be defined as designing, manufacturing, distributing and selling infant and juvenile bedding products.

(b) In addition, the Company shall provide Executive as his principal office with a private office, secretarial and administrative assistance, office equipment, supplies and other facilities and services suitable to Executive's position and located at 13003 South Figueroa Street, Los Angeles, California 90061, or at a comparable location within Los Angeles County.

2. Term. The term ("Term") of this Agreement shall commence on the date hereof and shall continue until October 26, 1999.

3. Compensation. In consideration of the services to be rendered by Executive to the Company hereunder, the Company hereby agrees to pay or otherwise provide Executive the following compensation and benefits, it being understood that the Company shall have the right to deduct therefrom all taxes which may be required to be deducted or withheld under any provision of applicable law (including, without limitation, Social Security payments, income tax withholding and other required deductions now in effect or which may become effective by law anytime during the Term):

(a) Salary. Executive shall receive an annual salary of ("Salary") of (i) \$300,000 for the first twelve months hereof, (ii) \$315,000 for the second twelve months hereof, (iii) \$330,000 for the third twelve months hereof, and (iv) \$350,000 for the fourth twelve months hereof, to be paid in equal installments in accordance with the Company's salary payment practices in effect from time to time for executives of the Company.

(b) Bonus Payment. In addition to Salary, Executive shall receive periodic bonus payments (payable within ninety (90) days of the end of the applicable fiscal year) as follows:

(i) Budgeted Pre-tax Profit (as defined below) of the Company is \$2,900,000 for the fiscal

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year ended June 30, 1996; \$3,400,000 for the fiscal year ended June 30, 1997; \$3,900,000 for the fiscal year ended June 30, 1998; and \$4,500,000 for the fiscal year ended June 30, 1999.

(ii) A bonus ("Bonus") shall be paid to Executive on each anniversary hereof as follows (subject to Section 3(b)(iii) below): \$350,000 if budgeted Pre-tax Profit is realized for the fiscal year ended June 30, 1996; \$350,000 if budgeted Pre-tax Profit is realized for the fiscal year ended June 30, 1997; \$350,000 if budgeted Pre-tax Profit is realized for the fiscal year ended June 30, 1998; and \$350,000 if budgeted Pre-tax profit is realized for the fiscal year ended June 30, 1999.

(iii) In the event that less than 100%, but at least 80% of budgeted Pre-tax Profit is realized for any such year, a bonus (in lieu of the full amount of the Bonus payable pursuant to Section 3(b)(ii), above) equal to 30% of the Bonus for such year shall be paid on each respective anniversary hereof, and for each 1/100 of 1% of the budgeted Pre-tax Profit above 80% an additional 35/1,000 of 1% of the Bonus (converted to the nearest 1/100) (each full 1% of budgeted Pre-tax Profit therefore converting into 3.5% of Bonus) shall likewise be paid on each respective anniversary hereof, up to an maximum of 100%



of Bonus.

(iv) By way of example of the foregoing, if Pre-tax Profit in fiscal year ended June 30, 1996 is \$2,860,270, the bonus payable for Executive with respect to such year shall be calculated as follows:

\$2,860,270 (actual Pre-tax Profit)  
divided by \$2,900,000 (budgeted Pre-tax Profit) x 100 = 98.63% of budget; and

98.63% of budget converts into 95.21% of Bonus as follows:

18% of budget in excess of 80% of budget converts (at a rate of 3.5% of Bonus for each 1% of budget) to 63% (3.5 times 18) of Bonus in excess of 30% (63% plus 30% then equals 93%),

and .63% of budget converts (at a rate of 35/1,000 of 1% of Bonus to each 1/100 of 1% of budget) into an additional 2.205% (rounded off to 2.21%) of Bonus, for a total (93% plus 2.21%) of 95.21% of Bonus.

(v) "Pre-tax Profit" is defined as profit before taxes calculated in accordance with generally accepted accounting principles, consistently applied, consistent with the Company's prior practice, adjusted to exclude:

A. all acquisition expenses, payments, amortization of goodwill, and adjustments relating to the acquisition of the Company by Crown Crafts;

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B. costs of meeting accounting and legal requirements imposed on the Company by Crown Crafts as a result of Crown Crafts being a public company;

C. any interest expense incurred with respect to borrowings obtained to finance the acquisition by Crown Crafts of the Company;

provided, however, that the Company will not be charged for services provided by Crown Crafts, except that any expense savings achieved by the merger pursuant to the Merger Agreement (including, without limitation, any reduction in purchasing expenses, accounting expenses or overhead) will be calculated as follows: 85% of the actual savings on the books of the Company will accrue to the benefit of Crown Crafts (by means of a charge to the Company's expenses) and 15% will accrue to the benefit of the Company for the purpose of calculating the Bonus; and

provided, further, that with respect to any products created or designed by Crown Crafts, Pre-tax Profit as defined herein shall be adjusted upward as follows: (x) if such product is sold or distributed by the Company, the Company shall receive a additional credit of 5% of the sales commission paid with respect to such sale, and (y) if such product is sold or distributed by Crown Crafts but the product is based on a design or pattern created by the Company, the Company shall be credited with a monthly royalty of 5% of the sale; and

provided, further, that, for one year after the date hereof, in no event will Crown Crafts alter the assignments, job descriptions, duties or other terms or conditions of employment of Ric Traylor, or otherwise take any action that has the effect of making it materially more difficult for such person to continue to sell the Company's merchandise in the manner in which, and for the customers to whom, he sold such merchandise

prior to the acquisition of the Company by Crown Crafts; and

provided, further, that any Bonus payable with respect to the fiscal year ending June 30, 1996, shall be reduced dollar-for-dollar by the amount of any bonus paid to Executive by the Company on or before the Closing Date (as defined in the Merger Agreement) with respect to any portion of such fiscal year; and

provided, further, that Pre-Tax Profit shall include a charge for a reasonable estimate of the amount of bonus payable to Executive under this Agreement and to Nanci Freeman under her employment agreement; and

provided, further, that notwithstanding anything appearing elsewhere herein, the Bonus payable with respect to the fiscal year ending June 30, 1996, shall be the greater of (i) the amount calculated pursuant to Section 3(b) hereof or (ii) the

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amount, if any, accrued on the books of the Company as of the Closing Date with respect to Executive for the period from June 30, 1995 to the Closing Date; and

provided, further, that for purposes of calculating Pre-Tax Profit, the Company will be charged at a rate of \$4.00 per warrant with respect to any warrant issued by Crown Crafts to The Disney Company in connection with the renewal of licenses for Classic Pooh, Pooh and Baby Mickey & Co., such charges to be applied ratably over the term of the warrants.

(c) Benefit Plans. In addition to, and not in limitation of, the compensation set forth above, Executive shall be entitled to participate in all benefit programs provided by the Company, including, without limitation, any health, accident, disability and life insurance programs, vacation and sick leave benefits, and any other fringe benefit program, which the Company may adopt and implement for the benefit of the Company's employees. Notwithstanding the foregoing, however, nothing contained herein shall be construed as an obligation of the Company to implement any benefit program, or if implemented, to maintain any program for any period of time for any employee.

(d) Expenses. Executive shall be entitled to receive reimbursement for all reasonable expenses incurred by him in connection with the fulfillment of his duties hereunder, upon receipt of appropriate vouchers therefor, provided, however, that Executive has complied with all reasonable policies and procedures relating to the reimbursement of such expenses as shall, from time to time, be established by the Company.

(e) Automobile. The Company shall provide Executive with the use of an automobile with a purchase price (new) of approximately \$30,000, and shall pay all the reasonable expenses of operation, maintenance and service thereof, including gasoline, insurance and repair.

#### 4. Termination.

(a) This Agreement shall terminate on the earliest to occur of the following events: (i) on the mutual agreement of the Company and Executive; (ii) the death of Executive or Executive's voluntary retirement; (iii) Executive becoming unable to perform a substantial portion of his duties as described herein due to injury, illness or disability (mental or physical) as determined by an independent physician selected by the Company and reasonably satisfactory to Executive for a period of three (3) consecutive months or any aggregate period of six (6) months in any eighteen (18) month period ("Disability"); or (iv) immediately upon the Company giving written notice to

Executive of termination for Cause (as defined herein).

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(b) The Company may terminate Executive's employment under this Agreement at any time for Cause. The termination shall be evidenced by written notice to Executive, which shall specify the cause for termination. "Cause" shall exist if: (i) Executive is convicted of (from which no appeal may be taken), or pleads guilty to, any act of fraud, misappropriation or embezzlement, or any felony, (ii) in the reasonable determination of the Board, the Executive has engaged in conduct or activity materially damaging to the business of the Company (it being understood, however, that unintentional physical damage to any property of the Company by Executive shall not be a ground for such a determination by the Board), or (iii) Executive has failed, without reasonable cause, to devote his full business time and best efforts to the Business of the Company as provided in Section 1(a) hereof and, after written notice from the Company of such failure, Executive at any time thereafter again so fails.

#### 5. Representations and Warranties.

(a) Executive represents and warrants to the Company that: (i) he has the full power and authority to execute, deliver and perform this Agreement, and that he has taken all actions necessary to secure all approvals required in connection herewith and therewith; (ii) this Agreement has been duly authorized, executed and delivered by him and constitute his valid and binding agreement, enforceable against him in accordance with its terms; and (iii) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passage of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to, any material mortgage, lien, leases, agreement, instrument, order, arbitration award, judgment or decree to which she is a party or by which he or any of his assets are bound.

(b) Crown Crafts and the Company respectively hereby each represent and warrant to Executive that: (i) this Agreement has been duly authorized, executed and delivered by them, and constitutes the valid and binding agreement of them, enforceable against them in accordance with its terms; (ii) they have the full power authority to execute, deliver and perform this Agreement and have taken all necessary to secure all approvals required in connection herewith; and (iii) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passage of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to, their Articles of Incorporation or By-Laws or any material mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which they are a party or by which they or any of their assets are bound.

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#### 6. Confidentiality.

(a) Executive recognizes and acknowledges that in the course of his employment with the Company, as contemplated by this Agreement, and as a result of the position of trust that he will hold under this Agreement, he will obtain

private and confidential information and proprietary data relating to Crown Crafts, the Company and other affiliates of Crown Crafts, including without limitation, financial information, product and design information, marketing information, product and design information, marketing information, customer lists and other data that are valuable assets and property rights of the Company and Crown Crafts and its affiliates (collectively referred to as "Confidential Information"). Executive agrees that he will not, during the term of this Agreement or any time after the termination of this Agreement, either directly or indirectly, disclose or use any Confidential Information acquired during his employment with the Company, unless (i) the Confidential Information has been made public through no action or fault of the Executive, or (ii) its disclosure is requested or compelled by applicable law or regulatory agency. Executive further agrees that after the termination of this Agreement, or at such other time as the Company requests, Executive will return to the Company all documents, papers and records constituting Confidential Information, and all copies of same in Executive's possession and control.

(b) Executive acknowledges that irreparable loss and injury would result to Crown Crafts and the Company upon the breach of any of the covenants contained in this Section 6 and that damages arising out of such breach would be difficult to ascertain. Executive agrees that, in addition to all other remedies provided at law or at equity, the Company may petition and obtain from a court of law or equity both temporary and permanent injunctive relief without the necessity of proving actual damages and without posting bond or other security to prevent a breach by Executive of any covenant contained in this Section 6, as well as to an equitable accounting of all earnings and profits and other benefits arising out of any such violations.

7. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and deemed to have been given when delivered in person or when dispatched by telegram or electronic facsimile transfer (confirmed in writing by mail, registered or certified, return receipt requested, postage prepaid, simultaneously dispatched) to the addresses specified below.

If to Executive: Neal Fohrman  
1536 Skylark Lane  
Los Angeles, California 90069

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If to Crown Crafts or Crown Crafts, Inc.  
the Company: 1600 RiverEdge Parkway  
Suite 200  
Atlanta, Georgia 30328  
Attn: President

or to such other address or fax number as either party may from time to time designate in writing to the other.

8. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof, and supersedes all prior agreements and understandings, whether oral or written, with respect to the same; provided, however, that nothing herein shall affect the validity of Sections 6.7, 6.8 or 6.9 of the Merger Agreement. No modification, alteration, amendment or rescission of or supplement to this Agreement shall be valid or effective unless the same is in writing and signed by both parties hereto.

9. Governing Law. This Agreement and the rights and duties of the parties hereunder shall be governed by, construed under and enforced in accordance with the laws of the State of California.

10. Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and permitted assigns. The rights, duties and obligations under this Agreement are assignable by the Company to a successor of all or substantially all of the business or assets of the Company. The rights, duties and obligations of Executive under this Agreement shall not be assignable.

11. Survival. The respective obligations of the parties under Section 6 hereof shall survive the termination of this Agreement.

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

CROWN CRAFTS, INC.

By: \_\_\_\_\_

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THE RED CALLIOPE & ASSOCIATES, INC.

By: \_\_\_\_\_

\_\_\_\_\_  
Neal Fohrman

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EXHIBIT 10.3

EXHIBIT C

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is effective as October 27, 1995, by and between Crown Crafts, Inc., a Georgia corporation ("Crown Crafts"), The Red Calliope & Associates, Inc., a California corporation (the "Company"), and Nanci Freeman (the "Executive").

WHEREAS, Crown Crafts is acquiring the entire equity interest of the Company by means of a merger pursuant to a Merger Agreement dated as of October 8, 1995 the ("Merger Agreement"); and

WHEREAS, Executive is the Executive Vice President-Sales and Marketing of the Company and desires to continue her employment with the Company in such capacity; and

WHEREAS, Crown Crafts desires that Executive continue to serve in the capacity of Vice President-Operations of the Company; and

WHEREAS, Crown Crafts, the Company and Executive desire to set forth in writing the terms and conditions of Executive's continued employment with the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Employment and Duties.

(a) The Company hereby agrees to continue to employ Executive and Executive agrees to continue employment in her capacity as Executive Vice President-Sales and Marketing of the Company to act in accordance with the terms and conditions set forth herein. Executive also consents to serve without additional compensation, if elected, as a director of the Company. During the term of this Agreement, Executive agrees that this position will be her principal employment, that she will serve the Company faithfully and to the best of her ability and that she will devote her full business time, attention and skills to the operation of the Business of the Company (as defined herein), subject to reasonable absences for vacation and illness, and that she will perform such duties, functions and responsibilities in connection with such position and consistent with the foregoing as are from time to time delegated to Executive by the Board of Directors or Chief Executive Officer of the Company; provided, however, that the foregoing shall not be deemed to restrict Executive from devoting a reasonable

amount of time and attention to the management of her personal affairs and investments, so long as such activities do not interfere with the responsible performance of Executive's duties hereunder. Executive shall provide the Board with periodic reports on, and keep them informed on a current basis concerning, the business and affairs of the Company. For purposes of this Agreement, the Business of the Company shall be defined as designing, manufacturing, distributing and selling infant and juvenile bedding products.

(b) In addition, the Company shall provide Executive as her principal office with a private office, secretarial and administrative assistance, office equipment, supplies and other facilities and services suitable to Executive's position and located at 13003 South Figueroa Street, Los Angeles, California 90061, or at a comparable location within Los Angeles County.

2. Term. The term ("Term") of this Agreement shall commence on the date hereof and shall continue until October 26, 1999.

3. Compensation. In consideration of the services to be rendered by Executive to the Company hereunder, the Company hereby agrees to pay or otherwise provide Executive the following compensation and benefits, it being understood that the Company shall have the right to deduct therefrom all taxes which may be required to be deducted or withheld under any provision of applicable law (including, without limitation, Social Security payments, income tax withholding and other required deductions now in effect or which may become effective by law anytime during the Term):

(a) Salary. Executive shall receive an annual salary of ("Salary") of (i) \$140,000 for the first twelve months hereof, (ii) \$145,000 for the second twelve months hereof, (iii) \$150,000 for the third twelve months hereof, and (iv) \$155,000 for the fourth twelve months hereof, to be paid in equal installments in accordance with the Company's salary payment practices in effect from time to time for executives of the Company.

(b) Bonus Payment. In addition to Salary, Executive shall receive periodic bonus payments (payable within ninety (90) days of the end of the applicable fiscal year) as follows:

(i) Budgeted Pre-tax Profit (as defined below) of the Company is \$2,900,000 for the fiscal year ended June 30, 1996; \$3,400,000 for the fiscal year ended June 30, 1997; \$3,900,000 for the fiscal year ended June 30, 1998; and \$4,500,000 for the fiscal year ended June 30, 1999.

(ii) A bonus ("Bonus") shall be paid to Executive on each anniversary hereof as follows (subject to Section 3(b)(iii) below): \$60,000 if

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budgeted Pre-tax Profit is realized for the fiscal year ended June 30, 1996; \$65,000 if budgeted Pre-tax Profit is realized for the fiscal year ended June 30, 1997; \$70,000 if budgeted Pre-tax Profit is realized for the fiscal year ended June 30, 1998; and \$75,000 if budgeted Pre-tax profit is realized for the fiscal year ended June 30, 1999.

(iii) In the event that less than 100% but at least 80% of budgeted Pre-tax Profit is realized for any such year, a bonus (in lieu of the full amount of the Bonus payable pursuant to Section 3(b)(ii), above) equal to 30% of the Bonus for such year shall be paid on each respective anniversary hereof, and for each 1/100 of 1% of the budgeted Pre-tax Profit above 80% an additional 35/1,000 of 1% of the Bonus (converted to the nearest 1/100) (each full 1% of budgeted Pre-tax Profit therefore converting into 3.5% of Bonus) shall likewise be paid on each respective anniversary hereof, up to an maximum of 100% of Bonus.

(iv) By way of example of the foregoing, if Pre-tax Profit in fiscal year ended June 30, 1996

is \$2,860,270, the bonus payable for Executive with respect to such year shall be calculated as follows:

$$\frac{\$2,860,270 \text{ (actual Pre-tax Profit)}}{\$2,900,000 \text{ (budgeted Pre-tax Profit)}} \times 100 = 98.63\% \text{ of budget; and}$$

98.63% of budget converts into 95.21% of Bonus as follows:

18% of budget in excess of 80% of budget converts (at a rate of 3.5% of Bonus for each 1% of budget) to 63% (3.5 times 18) of Bonus in excess of 30% (63% plus 30% then equals 93%),

and .63% of budget converts (at a rate of 35/1,000 of 1% of Bonus to each 1/100 of 1% of budget) into an additional 2.205% (rounded off to 2.21%) of Bonus, for a total (93% plus 2.21%) of 95.21% of Bonus.

(v) Notwithstanding the foregoing, regardless of Pre-tax Profit, the Company agrees to pay Executive a Bonus of \$40,000 on each of the first two anniversaries hereof.

(vi) "Pre-tax Profit" is defined as profit before taxes calculated in accordance with generally accepted accounting principles, consistently applied, consistent with the Company's prior practice, adjusted to exclude:

A. all acquisition expenses, payments, amortization of goodwill and, adjustments relating to the acquisition of the Company by Crown Crafts;

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B. costs of meeting accounting and legal requirements imposed on the Company by Crown Crafts as a result of Crown Crafts being a public company;

C. any interest expense incurred with respect to borrowings obtained to finance the acquisition by Crown Crafts of the Company;

provided, however, that the Company will not be charged for services provided by Crown Crafts, except that any expense savings achieved by the merger pursuant to the Merger Agreement (including, without limitation, any reduction in purchasing expenses, accounting expenses or overhead) will be calculated as follows: 85% of the actual savings on the books of the Company will accrue to the benefit of Crown Crafts (by means of a charge to the Company's expenses) and 15% will accrue to the benefit of the Company for the purpose of calculating the Bonus; and

provided, further, that with respect to any products created, designed or manufactured by Crown Crafts, Pre-tax Profit as defined herein shall be adjusted upward as follows: (x) if such product is sold or distributed by the Company, the Company shall receive a additional credit of 5% of the sales commission paid with respect to such sale, and (y) if such product is sold or distributed by Crown Crafts but the product is based on a design or pattern created by the Company, the Company shall be credited with a monthly royalty of 5% of the sale; and

provided, further, that any Bonus payable with respect to the fiscal year ending June 30, 1996, shall be reduced dollar-for-dollar by the amount of any bonus paid to Executive by the Company on or before the Closing Date (as defined in the Merger Agreement) with respect to any portion of such fiscal year; and

provided, further, that notwithstanding anything appearing



elsewhere herein, the Bonus payable with respect to the fiscal year ending June 30, 1996, shall be the greater of (i) the amount calculated pursuant to Section 3(b) hereof or (ii) the amount, if any, accrued on the books of the Company as of the Closing Date with respect to Executive for the period from June 30, 1995 to the Closing Date; and

provided, further, that Pre-Tax Profit shall include a charge for a reasonable estimate of the amount of bonus payable to Executive under this Agreement and to Neal Fohrman under his employment agreement; and

provided, further, that for purposes of calculating Pre-Tax Profit, the Company will be charged at a rate of \$4.00 per warrant with respect to any warrant issued by Crown Crafts to The Disney Company in connection with the renewal of licenses for Classic Pooh, Pooh and Baby Mickey & Co., such charges to be applied ratably over the term of the warrants.

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(c) Benefit Plans. In addition to, and not in limitation of, the compensation set forth above, Executive shall be entitled to participate in all benefit programs provided by the Company, including, without limitation, any health, accident, disability and life insurance programs, vacation and sick leave benefits, and any other fringe benefit program, which the Company may adopt and implement for the benefit of the Company's employees. Notwithstanding the foregoing, however, nothing contained herein shall be construed as an obligation of the Company to implement any benefit program, or if implemented, to maintain any program for any period of time for any employee.

(d) Expenses. Executive shall be entitled to receive reimbursement for all reasonable expenses incurred by her in connection with the fulfillment of her duties hereunder upon receipt of appropriate vouchers therefor, provided, however, that Executive has complied with all reasonable policies and procedures relating to the reimbursement of such expenses as shall, from time to time, be established by the Company.

(e) Automobile. The Company shall provide Executive with the use of an automobile with a purchase price (new) of approximately \$30,000, and shall pay all the reasonable expenses of operation, maintenance and service thereof, including gasoline, insurance and repair.

(f) Options. Executive shall be granted non-qualified stock options to purchase 10,000 shares of Crown Crafts common stock, exercisable for five years, such options to be granted as of the date hereof, pursuant to the Crown Crafts, Inc. 1995 Stock Option Plan. Executive shall be eligible for future grants of stock options in amounts and on terms substantially similar to those options awarded executives of Crown Crafts with similar positions or salaries to Executive.

(g) Promotion. Unless this Agreement has been otherwise earlier terminated pursuant to Section 4 hereof, Executive will be promoted to President and Chief Executive Officer of the Company not later than October 26, 1997, at which time her salary shall be increased by an additional \$40,000 per annum.

#### 4. Termination.

(a) This Agreement shall terminate on the earliest to occur of the following events: (i) on the mutual agreement of the Company and Executive; (ii) the death of Executive or Executive's voluntary retirement; (iii) Executive becoming unable to perform a substantial portion of her duties as described herein due to injury, illness or disability (mental or

physical) as determined by an independent physician selected by the Company and reasonably satisfactory to Executive for a period of three (3) consecutive months or any aggregate period of six (6) months in any eighteen (18) month period ("Disability"); or (iv) immediately upon the

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Company giving written notice to Executive of termination for Cause (as defined herein).

(b) The Company may terminate Executive's employment under this Agreement at any time for Cause. The termination shall be evidenced by written notice to Executive, which shall specify the cause for termination. "Cause" shall exist if: (i) Executive is convicted of (from which no appeal may be taken), or pleads guilty to, any act of fraud, misappropriation or embezzlement, or any felony, (ii) in the reasonable determination of the Board, the Executive has engaged in conduct or activity materially damaging to the business of the Company (it being understood, however, that unintentional physical damage to any property of the Company by Executive shall not be a ground for such a determination by the Board), or (iii) Executive has failed, without reasonable cause, to devote her full business time and best efforts to the Business of the Company as provided in Section 1(a) hereof and, after written notice from the Company of such failure, Executive at any time thereafter again so fails.

#### 5. Representations and Warranties.

(a) Executive represents and warrants to the Company that: (i) she has the full power and authority to execute, deliver and perform this Agreement, and that she has taken all actions necessary to secure all approvals required in connection herewith and therewith; (ii) this Agreement has been duly authorized, executed and delivered by her and constitute her valid and binding agreement, enforceable against her in accordance with its terms; and (iii) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passage of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to, any material mortgage, lien, leases, agreement, instrument, order, arbitration award, judgment or decree to which she is a party or by which she or any of her assets are bound.

(b) Crown Crafts and the Company respectively hereby each represent and warrant to Executive that: (i) this Agreement has been duly authorized, executed and delivered by them, and constitutes the valid and binding agreement of them, enforceable against them in accordance with its terms; (ii) they have the full power authority to execute, deliver and perform this Agreement and have taken all necessary to secure all approvals required in connection herewith; and (iii) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passage of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant

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to, their Articles of Incorporation or By-Laws or any material mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which they are a party or by which they or any of their assets are bound.

6. Confidentiality.

(a) Executive recognizes and acknowledges that in the course of her employment with the Company, as contemplated by this Agreement, and as a result of the position of trust that she will hold under this Agreement, she will obtain private and confidential information and proprietary data relating to Crown Crafts, the Company and other affiliates of Crown Crafts, including without limitation, financial information, product and design information, marketing information, customer lists and other data that are valuable assets and property rights of the Company and Crown Crafts and its affiliates (collectively referred to as "Confidential Information"). Executive agrees that she will not, during the term of this Agreement or any time after the termination of this Agreement, either directly or indirectly, disclose or use any Confidential Information acquired during her employment with the Company, unless (i) the Confidential Information has been made public through no action or fault of the Executive, or (ii) its disclosure is requested or compelled by applicable law or regulatory agency. Executive further agrees that after the termination of this Agreement, or at such other time as the Company requests, Executive will return to the Company all documents, papers and records constituting Confidential Information, and all copies of same in Executive's possession and control.

(b) Executive acknowledges that irreparable loss and injury would result to Crown Crafts and the Company upon the breach of any of the covenants contained in this Section 6 and that damages arising out of such breach would be difficult to ascertain. Executive agrees that, in addition to all other remedies provided at law or at equity, the Company may petition and obtain from a court of law or equity both temporary and permanent injunctive relief without the necessity of proving actual damages and without posting bond or other security to prevent a breach by Executive of any covenant contained in this Section 6, as well as to an equitable accounting of all earnings and profits and other benefits arising out of any such violations.

7. Restrictive Covenants. Executive agrees to be bound by and subject to Sections 6.7, 6.8 and 6.9 of the Merger Agreement to the same extent as Neal Fohrman is bound thereby except that, as to Executive, the duration of the "Noncompete Period" shall be equal to the length of the Term hereunder unless Executive is terminated prior thereto other than for Cause (and if Executive is so terminated other than for Cause the Noncompete Period shall lapse).

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8. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and deemed to have been given when delivered in person or when dispatched by telegram or electronic facsimile transfer (confirmed in writing by mail, registered or certified, return receipt requested, postage prepaid, simultaneously dispatched) to the addresses specified below.

If to Executive: Nanci Freeman  
2652 Via Olivera  
Palos Verdes Estates  
Los Angeles, California 90274

If to Crown Crafts or Crown Crafts, Inc.

the Company: 1600 RiverEdge Parkway  
Suite 200  
Atlanta, Georgia 30328  
Attn: President

or to such other address or fax number as either party may from time to time designate in writing to the other.

9. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof, and supersedes all prior agreements and understandings, whether oral or written, with respect to the same; provided, however, that nothing herein shall affect the validity of Sections 6.7, 6.8 or 6.9 of the Merger Agreement. No modification, alteration, amendment or rescission of or supplement to this Agreement shall be valid or effective unless the same is in writing and signed by both parties hereto.

10. Governing Law. This Agreement and the rights and duties of the parties hereunder shall be governed by, construed under and enforced in accordance with the laws of the State of California.

11. Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and permitted assigns. The rights, duties and obligations under this Agreement are assignable by the Company to a successor of all or substantially all of the business or assets of the Company. The rights, duties and obligations of Executive under this Agreement shall not be assignable.

12. Survival. The respective obligations of the parties under Section 6 hereof shall survive the termination of this Agreement.

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

CROWN CRAFTS, INC.

By: \_\_\_\_\_

THE RED CALLIOPE & ASSOCIATES, INC.

By: \_\_\_\_\_

\_\_\_\_\_  
Nanci Freeman

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EXHIBIT 10.4

TAX REPORTING AGREEMENT

THIS TAX REPORTING AGREEMENT (the "Agreement"), dated as of October 31, 1995, is made by and among CROWN CRAFTS, INC., a Georgia corporation ("Crown Crafts"), THE RED CALLIOPE AND ASSOCIATES, INC., a California corporation ("Red Calliope"), and NEAL FOHRMAN, an individual resident of California (the "Designated Party").

WITNESSETH:

WHEREAS, Crown Crafts, Red Calliope and the Designated Party are parties to that certain Merger Agreement, dated as of October 8, 1995, as amended by Amendment No. 1 thereto dated as of October 31, 1995 (the "Merger Agreement"), pursuant to which a wholly owned subsidiary of Crown Crafts, concurrently herewith, is merging with and into Red Calliope (the "Merger");

WHEREAS, Crown Crafts is the common parent of an affiliated group of corporations within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code") filing consolidated returns;

WHEREAS, Red Calliope timely filed an election (the "Election") on Form 2553 to be treated as an S corporation within the meaning of Section 1361(a) of the Code effective for its taxable year beginning on July 1, 1982 and has consistently filed tax returns as an S corporation on Form 1120S since July 1, 1982;

WHEREAS, the shareholders of Red Calliope (the "Shareholders") have filed their tax returns in a manner consistent with Red Calliope's treatment as an S Corporation since July 1, 1982;

WHEREAS, certain consents to the Election, which may have been required at the time of the Election, were not obtained at such time;

WHEREAS, to resolve any doubt as to the validity of the Election, Red Calliope has submitted to the Internal Revenue Service a request for an extension of time to file consents to the Election pursuant to Treasury Regulations Section 1.1362-6(b)(3)(iii), which extension has been granted;

WHEREAS, Red Calliope ceased to be a "small business corporation" within the meaning of Section 1361(b) of the Code on July 28, 1995; and

WHEREAS, pursuant to the terms of the Merger Agreement and as a condition precedent to the obligations of the parties under the Merger Agreement, the parties hereto have reached certain agreements concerning the filing of Red Calliope's tax returns for federal, state and local tax purposes as set forth in detail herein;

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

1. Definitions.

1.1 Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

1.2 "Designated Party" means Neal Fohrman.

1.3 "Red Calliope Income Taxes" means the

federal, state and local income tax of, together with any interest, penalties and additions to tax imposed on, Red Calliope with respect to its taxable income by any governmental authority responsible for the imposition of such tax.

1.4 "Red Calliope Income Tax Return" means any Tax Return of Red Calliope with respect to Red Calliope Income Taxes.

1.5 "Red Calliope Tax Return" means any Tax Return of Red Calliope with respect to Red Calliope Taxes.

1.6 "S Corporation Return" means any Tax Return of Red Calliope with respect to the taxable income of Red Calliope for taxable periods beginning on or after July 1, 1982 and ending on or before July 27, 1995.

1.7 "Shareholder Income Taxes" means the federal, state and local income tax of, together with any interest, penalties and additions to tax imposed on, any Shareholder with respect to his or her taxable income by any governmental authority responsible for the imposition of such tax.

1.8 "Shareholder Income Tax Return" means any Tax Return of a Shareholder with respect to Shareholder Income Taxes.

1.9 "Tax" (including with correlative meaning, the terms "Taxes" and "Taxable") means any income, gross receipts, ad valorem, premium, excise, value-added, sales, use, transfer, franchise, license, severance, stamp, occupation, service, lease, withholding, employment, payroll, property or windfall profits tax, alternative or add-on minimum tax, or other tax, fee or assessment, together with any interest and any penalty, addition to tax or additional amount imposed by any governmental authority responsible for the imposition of any such tax.

1.10 "Tax Return" means any return, report, statement, information statement and the like required to be filed with any authority with respect to Taxes.

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2. Filing of Pre-Closing Red Calliope Tax Returns.

2.1 The Designated Party shall be responsible for the preparation and filing of all Red Calliope Tax Returns for all taxable periods ending on or before the Closing Date, including Red Calliope Tax Returns for such periods that are due after the Closing Date and any amended Red Calliope Tax Return. Red Calliope shall be responsible for the payment of all Taxes shown to be due thereon. For purposes of this Section 2.1, any taxable period for Red Calliope Taxes that includes but does not end on the Closing Date shall be treated as ending on the Closing Date and the items of income, gain, loss, deduction and credit shall be determined based on the closing of Red Calliope's books and records as maintained for Tax purposes at the end of business on the Closing Date. The Designated Party shall submit such Tax Returns to Crown Crafts for its review and comment thirty (30) days before filing and shall make such revisions to such Tax Returns as are reasonably requested by Crown Crafts.

2.2 The Designated Party shall cause to be prepared and filed Red Calliope Income Tax Returns for taxable periods ending on June 30, 1995 and July 27, 1995 ("S Corporation Returns") in a manner consistent with its election to be treated as an S corporation for federal, state and local income tax

purposes.

2.3 All fees and expenses incurred by the Designated Party in connection with the preparation and filing of Red Calliope Tax Returns (other than amended Red Calliope Tax Returns, fees and expenses with respect to which are covered by Section 4.5 hereof) for taxable periods ending on or before the Closing Date shall be paid by Red Calliope.

2.4 Neither Crown Crafts, nor Red Calliope shall amend any Red Calliope Tax Returns for taxable period ending on or before the Closing Date without the prior written consent of the Designated Party.

2.5 It is acknowledged and agreed that an election under Section 338 of the Code shall not be made with respect to the acquisition by Crown Crafts of Red Calliope pursuant to the Merger Agreement. Notwithstanding anything to the contrary in this Agreement or the Merger Agreement, Crown Crafts shall pay and hold the Shareholders harmless from and against all Red Calliope Taxes not incurred in the ordinary course of business attributable to acts or omissions of Crown Crafts occurring after the Effective Time but on the Closing Date.

### 3. FILING OF POST-CLOSING RED CALLIOPE TAX RETURNS.

Crown Crafts shall, at its sole cost and expense, be responsible for the preparation and filing of all Red Calliope Tax Returns for taxable periods beginning after the Closing Date, and shall pay or cause to be paid all Taxes shown to be due thereon.

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### 4. Control of Tax Proceedings.

4.1 It is acknowledged and agreed that the Designated Party shall, pursuant to Section 6244 of the Code, serve as the "tax matters person" for Red Calliope for taxable years ending on or prior to July 27, 1995.

4.2 Except as specifically provided in this Agreement, it is acknowledged and agreed that the Designated Party shall have the sole authority to deal with any matters relating to Taxes of Red Calliope attributable to taxable periods ending on or before the Closing Date (as determined under Section 2.1), including but not limited to the filing of amended Red Calliope Tax Returns.

4.3 Whenever any taxing authority asserts a claim, makes an assessment or otherwise disputes the amount of Red Calliope Taxes (including any claim involving any Subchapter "S" item (as defined in Section 6245 of the Code and the Treasury Regulations thereunder) (an "S Claim") brought against Red Calliope) attributable to taxable periods ending on or before the Closing Date (a "Pre-Closing Dispute"), Crown Crafts shall promptly inform the Designated Party, who shall thereafter promptly inform the other Shareholders. The Designated Party shall have the sole right and authority to control any resulting proceedings and, except as provided in Section 4.4, to determine whether and when to settle any Pre-Closing Dispute. The Designated Party shall keep each Shareholder informed of any such proceedings or settlements.

4.4 Notwithstanding anything to the contrary in this Agreement, the Designated Party shall not file any amended Red Calliope Tax Return or settle any Pre-Closing Dispute without the prior written consent (not to be unreasonably withheld or delayed) of (i) Crown Crafts if such action would increase Red Calliope Taxes for taxable periods ending after the Closing Date, or (ii) any Shareholder who would be subject to

additional Shareholder Income Taxes in excess of \$10,000 as a result of such action.

4.5 All fees and expenses incurred by the Designated Party in connection with the filing of any amended Red Calliope Tax Return or control or conduct of any Pre-Closing Dispute under Section 4.3 (the "Covered Matters") shall be paid by Red Calliope and Red Calliope shall indemnify and hold harmless the Designated Party from and against any and all claims, damages, liabilities, expenses (including reasonable attorneys fees), costs and assessments (including actual and punitive damages) incurred by or imposed upon the Designated Party in connection with his action or inaction with respect to the Covered Matters so long as the Designated Party substantially complies in good faith with his obligations with respect to the Covered Matters and does not act fraudulently; provided, however, that Red Calliope shall have no obligation to pay in excess of \$100,000 pursuant to this Section 4.5. All such fees and expenses incurred by the

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Designated Party which are not paid or reimbursed by Red Calliope pursuant to the preceding sentence shall be paid pursuant to that certain Agreement Re Post-Merger Administration dated as of October 9, 1995.

5. COOPERATION. The Designated Party and Crown Crafts shall cooperate with each other in a timely manner in the preparation and filing of any Tax Returns, payment of any Taxes in accordance with this Agreement and the Merger Agreement, and the conduct of any audit or other proceeding. Each party shall execute and deliver such powers of attorney and make available such other documents as are necessary to carry out the intent of this Agreement and the Merger Agreement.

6. RETENTION OF RECORDS. Crown Crafts shall, until the expiration of the applicable statute of limitations or extensions thereof, (i) retain records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns or the audit of such returns, and (ii) give to the Designated Party reasonable access to such records, documents, accounting data and other information (including computer data) and to its personnel (insuring their cooperation) and premises, for the purpose of the preparation and filing or audit of such returns.

7. SPECIFIC PERFORMANCE. The parties hereto each acknowledge that the rights of each party hereunder are special, unique and of extraordinary character, and that, in the event that any party violates or fails or refuses to perform any covenant or agreement made by it herein, the non-breaching party may be without an adequate remedy at law. The parties each agree, therefore, that in the event that any party violates or fails or refuses to perform any covenant or agreement made by such party herein, the non-breaching party or parties may, subject to the terms of this Agreement and in addition to any remedies at law for damages or other relief, institute and prosecute an action in any court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief.

8. REPRESENTATIONS AND WARRANTIES OF THE DESIGNATED PARTY. The Designated Party hereby represents and warrants to each other party hereto that:

(a) this Agreement has been duly authorized, executed and delivered by the Designated Party and constitutes the valid and binding agreement of the Designated Party enforceable against the Designated Party in accordance with its



terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the enforcement of creditors, rights generally, general equitable principles and the discretion of courts in granting equitable remedies; and

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(b) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passing of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to any material mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which the Designated Party is a party or by which he or any of his assets are bound.

#### 9. REPRESENTATIONS AND WARRANTIES OF CROWN CRAFTS.

Crown Crafts hereby represents and warrants to each other party hereto that:

(a) this Agreement has been duly authorized, executed and delivered by Crown Crafts, and constitutes the valid and binding agreement of Crown Crafts, enforceable against Crown Crafts in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the enforcement of creditors, rights generally, general equitable principles and the discretion of courts in granting equitable remedies; and

(b) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passing of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to any material mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which Crown Crafts is a party or by which it or any of its assets are bound.

#### 10. REPRESENTATIONS AND WARRANTIES OF RED CALLIOPE.

Red Calliope hereby represents and warrants to each other party hereto that:

(a) this Agreement has been duly authorized, executed and delivered by Red Calliope, and constitutes the valid and binding agreement of Red Calliope, enforceable against Red Calliope in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the enforcement of creditors, rights generally, general equitable principles and the discretion of courts in granting equitable remedies; and

(b) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with the passing of time or the giving of notice or both, violate or conflict with, constitute a breach of or default under, result in the loss of any material benefit under, or permit the acceleration of or entitle any party to accelerate any obligation under or pursuant to any material mortgage, lien, lease, agreement, instrument, order,

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arbitration award, judgment or decree to which Red Calliope is a

party or by which it or any of its assets are bound.

11. NOTICES. The provisions of Section 10.10 of the Merger Agreement shall apply to this Agreement.

12. MISCELLANEOUS. Nothing in this Agreement is intended to or shall confer upon anyone other than the parties hereto any legal or equitable right, remedy or claim. This Agreement shall be governed by, and its provisions construed in accordance with, the laws of the State of California (without reference to California's choice of law rules) applicable to contracts made and to be wholly performed within such state and may be modified only in writing signed by each of the parties hereto. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and all such counterparts shall constitute one and the same instrument. Paragraph headings contained in this Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of any term or provision hereof.

12. SEVERABILITY. If any provision of this Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

13. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which is an original and all of which together shall be deemed to be one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by all of the parties. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

IN WITNESS WHEREOF, the Designated Party has duly executed and delivered this Agreement, and Crown Crafts and Red Calliope hereto have caused this Agreement to be executed and delivered on its behalf by an officer thereunto duly authorized, all as of the date first above written.

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NEAL FOHRMAN

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CROWN CRAFTS, INC.

By:

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E. Randall Chestnut  
Vice President

THE RED CALLIOPE AND ASSOCIATES,  
INC.

By:

-----  
Neal Fohrman  
President



EXHIBIT 10.5

DISBURSEMENT AGREEMENT

This Disbursement Agreement (the "Agreement") is entered into as of this 8th day of October, 1995, by and among (i) Leonard, Dicker & Schreiber ("LDS"), a California partnership, Kopple & Klinger, a California partnership, Stutman, Treister & Glatt, a California law corporation, and Chaleff & English, a California partnership, for itself and as successor-in-interest to Chaleff, English & Catalano (collectively, the "Lawyer Group"); (ii) The Red Calliope and Associates, Inc., a California corporation ("Red Calliope"); (iii) Neal Fohrman, in his capacity as Voting Trustee (the "Voting Trustee") pursuant to that certain Voting Trust Agreement dated as of February 13, 1992 [sic] (the "Voting Trust Agreement"); (iv) Stanley Glickman and Carol Glickman, individually, as trustees of the Glickman Family Trust (the "Glickman Trust") and as general partners of the Glickman Family Investment Partnership ("GFIP") (collectively, the "Glickmans"); (v) Crown Crafts, Inc. and CC Acquisition Corp. (collectively, "Crown Crafts"), both of which are Georgia corporations; (vi) Mitchell Silberberg & Knupp, a California partnership ("MSK"); (vii) R. Todd Nielson, in his capacity as Resolution Agent of Reorganized Property Mortgage Co., Inc. (the "Resolution Agent"); (viii) Robert Mann ("E. Fine Trustee"), in his capacity as trustee of the Elliot Fine Trust, U/D/T dated February 28, 1980, as amended August 5, 1994 ("Trust A"); (ix) the signatories hereto on behalf of Shirley Fine Trust B ("Trust B"); (x) Ross, Sacks & Glazier, a California partnership ("Ross"); and (xi) Robert C. Kopple, Esq., individually, and Robert C. Kopple, a Professional Corporation (collectively, "Kopple"). The signatories hereto on behalf of Trust B are, in said capacities, sometimes hereinafter collectively referred to as the "Trust B Parties". MSK, the Lawyer Group, the Resolution Agent, the E. Fine Trustee, the Trust B Parties and Ross are hereinafter sometimes collectively referred to as the "Secured Parties".

WHEREAS, MSK claims a security interest (the "MSK Security Interest"), directly or indirectly, in 585 shares of common stock (the "Securities"), issued by Red Calliope, the certificate for which is held by the Voting Trustee pursuant to the Voting Trust Agreement, as collateral for the performance of certain obligations of one or more of the Glickmans (said obligations, together with other secured obligations of the Glickmans to the other Secured Parties, are hereinafter referred to as the "Obligations"), pursuant to a Security Agreement dated February 6, 1991 (the "MSK Security Agreement"), which MSK Security Interest secures Obligations in the sum of \$750,000; and

WHEREAS, the Lawyer Group claims a security interest (the "First Security Interest"), directly or indirectly, in the Securities as collateral for the performance of certain of the Obligations, pursuant to a Pledge Agreement dated November 1, 1993 (the "First Security Agreement"), which First Security Interest secures Obligations in the sum of \$750,000; and

WHEREAS, Chaleff & English claims an additional security interest (the "Second Security Interest"), directly or indirectly, in the Securities, as further collateral for the performance of certain of the Obligations, pursuant to a Security Agreement dated September 13, 1995 (the "Second Security Agreement"), which Second Security Interest secures Obligations in the sum of \$350,000; and

WHEREAS, one of the Trust B Parties is the

Trustee of Trust B and, in said capacity, is authorized to act as trustee of Trust B and, on behalf of Trust B, claims a security interest (the "Trust B Security Interest"), directly or indirectly, in the Securities, as collateral for the performance of certain of the Obligations, pursuant to a Pledge Agreement dated December 17, 1993 (the "Trust B Security Agreement"), which Trust B Security Interest secures Obligations in the sum of \$250,000 plus interest thereon; and

WHEREAS, the E. Fine Trustee, in his capacity as such, claims a security interest (the "Fine Security Interest"), directly or indirectly, in the Securities, as collateral for the performance of certain of the Obligations, pursuant to a Security Agreement dated February 14, 1991 (the "Fine Security Agreement"), which Fine Security Interest secures Obligations in the sum of \$360,000; and

WHEREAS, Elliot R. Fine ("Fine") assigned to the Resolution Agent a \$200,000 interest in and to the \$360,000 Obligation secured by the Fine Security Interest and in said Fine Security Interest; and

WHEREAS, by a written "General Assignment of Personal Property", dated August 5, 1994, Fine transferred all of his remaining interest in said Obligation and said Fine Security Interest to Trust A; and

WHEREAS, the Internal Revenue Service (the "IRS") and the California Franchise Tax Board (the "FTB") assert liens for federal and state taxes against the Securities, directly or indirectly, pursuant to various notices of lien (the "Tax Liens"), which Tax Liens are in the sums of \$1,934,623 and \$693,434, respectively; and

WHEREAS, the Secured Parties, the IRS and the FTB claim such security interests and liens in, to or against, without limitation, the Securities, any evidence of any beneficial ownership in the Securities, any voting trust certificate issued pursuant to the Voting Trust Agreement, and any promissory notes and security agreements of GFIP (collectively, the "Collateral");

WHEREAS, Crown Crafts and Red Calliope are parties to a proposed merger (the "Merger") pursuant to which, inter alia, the Securities will be surrendered in exchange for cash, upon terms and conditions specified in a written merger agreement of even date herewith (the "Merger Agreement"),

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NOW, THEREFORE, the parties hereto agree as follows:

1. Undefined capitalized terms used herein shall have the meanings set forth in the Merger Agreement.
2. This Agreement shall be void and of no effect if the Merger Agreement is terminated, or if the Merger contemplated by the Merger Agreement shall fail to close on or before the Closing Date, including, without limitation, if the Resolution Agent shall fail to obtain approval by the Bankruptcy Court of this Agreement.
3. The Glickmans acknowledge and agree that, as of the date hereof, they are indebted to the parties listed on Schedule "3" hereto (the "Consensual Lienors") in the respective amounts set forth therein; that such indebtedness is now due and owing; and that the Consensual Lienors have valid and subsisting security interests or other liens in, to or against the Collateral in the respective amounts and in the respective

priorities set forth in said Schedule "3" (the "Consensual Liens"). As of October 31, 1995, the Glickmans anticipate that the total of the Consensual Liens will be approximately \$4,672,000, not including any additional liens of which the IRS or the FTB may hereafter give notice. Subject to adjustment as provided in the Merger Agreement and assuming (i) that there is no Merger Litigation or Title Litigation, (ii) that Red Calliope timely filed an election on Form 2553 with the IRS to be treated as an S corporation effective for its taxable year beginning on July 1, 1992 and (iii) that all Tax Reserves and Environmental Reserves are paid to the Shareholders, then, of the cash proceeds of the Merger distributable with respect to the Securities (the "Glickman Proceeds"), the portion remaining after satisfaction of the Consensual Liens and exclusive of any new liens in favor of the IRS or the FTB is expected to be approximately \$1,200,000 (as adjusted pursuant to the Merger Agreement, the "Glickman Equity").

3.1 The Glickmans and the Secured Parties agree that all of the Obligations are valid and are due and owing by the Glickmans to the respective Consensual Lienors, that each of the Consensual Liens is a valid and subsisting security interest or other lien in, to or against the Collateral in the respective amounts and in the respective priorities set forth in said Schedule "3", and that each of the Secured Parties' security interests is duly perfected; PROVIDED, HOWEVER, that the Resolution Agent does not take any position with respect to the Obligations to Chaleff & English relating to the Second Security Agreement or to Ross, or to the validity, priority or perfection of the Second Security Interest or the Consensual Lien of Ross, or to the right of Chaleff & English or Ross to receive any of the Glickman Proceeds on account or in satisfaction of said Second Security Interest or Consensual Lien of Ross, and expressly reserves all rights, claims and remedies with respect thereto.

3.2 Crown Crafts and Red Calliope make no representation, warranty or covenant as to what a court would hold as to the validity, perfection or priority of any of the Consensual Liens or the rights of the Secured Parties with respect thereto or as to the proceeds thereof.

4. Crown Crafts, Red Calliope and the Voting Trustee, in said capacity only (hereinafter, collectively, the "Distributors"), jointly and severally agree that at and concurrently with the Closing (or at such later times as may be expressly provided by the Merger Agreement), they shall cause the Glickman Proceeds to be distributed, to the extent available, in the order and in the manner hereinafter set forth.

4.1 First, to MSK, the sum of \$182,228.78.  
In connection therewith:

4.1.1 The Glickmans and MSK agree that such distribution is in full satisfaction and discharge of any and all Obligations of the Glickmans to MSK and shall discharge the MSK Security Interest in its entirety; and that simultaneously with such distribution, the Glickmans and MSK shall execute and deliver limited releases of one another in the form of Exhibit "4.1.1" hereto. All Secured Parties other than MSK expressly waive any claims which any of them may have against the Distributors or MSK by reason of such distributions to MSK.

4.1.2 The Glickmans and the Secured Parties agree that upon distribution of the Glickman Proceeds as provided in this

paragraph 4, MSK shall deliver the Voting Trust Certificate to the Voting Trustee, for surrender to Crown Crafts pursuant to the Merger Agreement, and that upon such surrender, all of the Obligations other than the Obligations to MSK (which shall be discharged as provided in paragraph 4.1.1, above) shall remain outstanding and all Consensual Liens in the Collateral (but not in the proceeds of the Collateral) shall be released and such Consensual Liens (other than the MSK Security Interest in the Securities) shall continue in and attach to the Glickman Proceeds in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger regardless of whether the Glickman Proceeds are distributed outright, held in trust, or deposited in the Interpleader Action (as defined in paragraph 4.3.1, below) as provided in this paragraph 4.

4.1.3 Effective only upon the distribution to MSK as provided in this paragraph 4.1, and except with respect to the obligations created by or arising out of this Agreement, each of MSK, for itself and its heirs, successors, partners and assigns, and each of them,

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on the one hand, and the Distributors, and their respective heirs, successors, partners and assigns, and each of them, on the other hand, hereby releases, absolves, remises and forever discharges the other, and each of them, from any and all actions and causes of action, claims, suits, demands, debts, obligations, liabilities, damages, dues, accounts, bonds, covenants, contracts, agreements, judgments, costs and expenses whatsoever, whether known or unknown, suspected or unsuspected, at law or in equity of every kind and nature whatsoever, which any of them ever had, now has, or may or could hereafter have against the other, or any of them, by reason of any fact, matter, cause, act or omission whatever, existing at any time prior to or through the date of this Agreement. Each of MSK and the Distributors acknowledges that he is familiar with Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of MSK and the Distributors specifically waives the benefits of Section 1542 of the Civil Code of the State of California and any similar provision of the State of Georgia to the fullest extent permitted by law. Nothing contained in this Agreement shall constitute or be deemed to constitute a release of any of the Glickmans by MSK.

4.2 Second, to the IRS, the sum of \$1,934,623 plus applicable interest and penalties, if any, and to the FTB, the sum of \$693,434 plus applicable

interest and penalties, if any. Those Secured Parties other than MSK whose security interests are or may be senior to the Tax Liens, by not objecting to or seeking to enjoin said distributions, are not waiving any right, claim or interest they may have with respect to the Glickman Proceeds distributed to the IRS or the FTB, and expressly reserve all such rights, claims or interests. All Secured Parties expressly waive any claims which any of them may have against the Distributors or MSK by reason of such distributions to the IRS and the FTB.

4.3 Third, the sum of \$250,000 plus interest thereon (\$279,837.90 as of October 31, 1995), in respect of all Obligations of the Glickmans to Trust B which are secured by the Trust B Security Interest, shall be delivered to LDS, for deposit into a segregated, interest-bearing deposit account in a financial institution chosen by LDS, in the name of LDS, in trust for the benefit of Trust B.

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4.3.1 If no Claims are asserted by any Third Parties prior to the Closing ("Third Party Claims"), with respect to the validity or priority of said Obligation or the Trust B Security Interest, and if the total of all Third Party Claims is less than the sum of the Glickman Equity plus all Consensual Liens other than the MSK Security Interest and the Tax Liens, LDS is hereby authorized and instructed to withdraw said portion of the Glickman Proceeds and to deliver said portion of the Glickman Proceeds to the trustee of Trust B until either (A) all of such portion of the Glickman Proceeds has been delivered; or (B) the total of the Third Party Claims is equal to the sum of the undelivered portion of such Glickman Proceeds plus the other Consensual Liens (other than the MSK Security Interest and the Tax Liens) plus the Glickman Equity, whichever shall first occur. Otherwise, all the parties hereto agree that LDS, in its sole discretion, subject to any Court order, may either interplead said funds in the Interpleader Action (as defined below in this paragraph 4.3.1); or hold said funds, plus all interest earned thereon, in trust in said deposit account, for the benefit of Trust B, pending a final determination by the Court (as defined below in this paragraph 4.3.1) or another court of competent jurisdiction, which determination is not subject to further appeal (a "Final Determination"), with respect to said portion of the Glickman Proceeds and the rights of Trust B and any Third Parties therein. All the parties hereto agree that they will not make any demands on said portion of the Glickman Proceeds other than in the Interpleader Action or a Declaratory Relief Action (as defined in paragraph 4.5.2.1.2, below). Upon such Final Determination, and unless LDS has interpleaded said portion of the Glickman Proceeds, LDS shall distribute said portion of the Glickman Proceeds as provided by such Final Determination. As used in this Agreement, the "Interpleader Action" shall mean an action in interpleader commenced by any of the Distributors or any of the Lawyer Group, which shall be commenced, if at all, only in the Superior Court for the State of California for the County of Los Angeles, Central District (the "Court"), and which shall be brought, if at all, pursuant to California Code of Civil Procedure section 386; PROVIDED, HOWEVER, that in the event of any conflict between the provisions of this paragraph 4.3.1 and any applicable statute, rule or law pertaining to Claims asserted by the IRS or the FTB in addition to the existing Tax Liens, such applicable statutes, rules or laws shall control, and the term "Interpleader Action" shall be deemed to include any suit, action or proceeding commenced pursuant to such applicable statutes, rules or laws.



4.3.2 The Glickmans and Secured Parties agree that, unless and until said portion of the Glickman Proceeds is paid to Trust B, the Obligations to Trust B remain outstanding. The Glickmans and the

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Secured Parties agree that all of the Glickman Proceeds constitute cash proceeds of the Collateral and that upon the Merger, the Trust B Security Interest in the Collateral (but not in the proceeds of the Collateral) shall be released and such security interest shall continue in and attach to the Glickman Proceeds, including without limitation the sums distributed pursuant to this paragraph 4.3, in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger regardless of whether the Glickman Proceeds are distributed outright, held in trust, or deposited in the Interpleader Action as provided in this paragraph 4. The Glickmans agree to execute any documents reasonably necessary to maintain the continuous perfection of the Trust B Security Interest.

4.4 Fourth, the sum of \$360,000, in respect of all Obligations of the Glickmans which are secured by the Fine Security Interest, shall be paid to the E. Fine Trustee, for the benefit of Trust A, and the Resolution Agent, as tenants in common, with Trust A having a four-ninths undivided interest therein, and the Resolution Agent having a five-ninths undivided interest therein.

4.4.1 The Glickmans, the E. Fine Trustee and the Resolution Agent agree that such distribution is in full satisfaction and discharge of any Obligations of the Glickmans to Fine or Trust A to the extent such Obligations were secured by the Fine Security Interest and shall discharge the Fine Security Interest in its entirety. The Lawyer Group, Ross and the Trust B Parties expressly waive any claims which any of them may have against the Distributors, the E. Fine Trustee, Trust A or the Resolution Agent by reason of such distributions to the E. Fine Trustee, for the benefit of Trust A, and the Resolution Agent.

4.4.2 The Glickmans and the Secured Parties agree that, unless and until said portion of the Glickman Proceeds is paid to the Resolution Agent and the E. Fine Trustee, said Obligations to Trust A, the E. Fine Trustee and, as assignee of Fine, the Resolution Agent, remain outstanding. The parties agree that all of the Glickman Proceeds constitute cash proceeds of the Collateral and that upon the Merger, the Fine Security Interest in the Collateral (but not in the proceeds of the Collateral) shall be released and such security interest shall continue in and attach to the Glickman Proceeds, including without limitation the sums distributed pursuant to this paragraph 4.4, in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger regardless of whether the Glickman Proceeds are distributed outright, held in trust, or deposited in the Interpleader Action as provided in this

paragraph 4. The Glickmans agree to execute any documents

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reasonably necessary to maintain the continuous perfection of the Fine Security Interest.

4.4.3 Effective only upon the distribution as provided in this paragraph 4.4, and except with respect to the obligations created by or arising out of this Agreement or the Merger Agreement or any agreements executed in connection therewith, the Resolution Agent, for himself and his heirs, successors, and assigns, and each of them, on the one hand, and the Distributors, and their respective heirs, successors and assigns, and each of them, on the other hand, hereby releases, absolves, remises and forever discharges the other, and each of them, from any and all actions and causes of action, claims, suits, demands, debts, obligations, liabilities, damages, dues, accounts, bonds, covenants, contracts, agreements, judgments, costs and expenses whatsoever, whether known or unknown, suspected or unsuspected, at law or in equity of every kind and nature whatsoever, which any of them ever had, now has, or may or could hereafter have against the other, or any of them, by reason of any fact, matter, cause, act or omission whatever, existing at any time prior to or through the date of this Agreement. Each of the Resolution Agent and the Distributors acknowledges that he is familiar with Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of the Resolution Agent and the Distributors specifically waives the benefits of Section 1542 of the Civil Code of the State of California and any similar provision of the laws of the State of Georgia to the fullest extent permitted by law.

4.4.4 Effective only upon the distribution as provided in this paragraph 4.4, and except with respect to the obligations created by or arising out of this Agreement or the Merger Agreement or any agreements executed in connection therewith, each of the E. Fine Trustee, for himself (in said capacity only), Trust A and their respective successors and assigns, and each of them, in their capacities as such, on the one hand, and the Distributors, and their respective heirs, successors and assigns, and each of them, on the other hand, hereby releases, absolves, remises and forever discharges the other, and each of them, from any and all actions and causes of action, claims, suits, demands,

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debts, obligations, liabilities, damages, dues, accounts, bonds, covenants, contracts, agreements, judgments, costs and expenses whatsoever, whether known or unknown, suspected or unsuspected, at law or in equity of every kind and nature whatsoever, which any of them ever had, now has, or may or could hereafter have against the other, or any of them, by reason of any fact, matter, cause, act or omission whatever, existing at any time prior to or through the date of this Agreement. Each of the E. Fine Trustee and the Distributors acknowledges that he is familiar with Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of the E. Fine Trustee and the Distributors specifically waives the benefits of Section 1542 of the Civil Code of the State of California and any similar provision of the laws of the State of Georgia to the fullest extent permitted by law.

4.5 Fifth, to the Lawyer Group, the sum of \$750,000, to be divided among the Lawyer Group as they shall direct, by written notice to Crown Crafts not less than five business days prior to the Closing. Said sum shall be distributed as hereinafter set forth in this paragraph 4.5. The Glickmans and the Secured Parties agree that all of the Glickman Proceeds constitute cash proceeds of the Collateral and that upon the Merger, the First Security Interest in the Collateral (but not in the proceeds of the Collateral) shall be released and such security interest shall continue in and attach to the Glickman Proceeds, including without limitation the sums distributed pursuant to this paragraph 4.5, in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger regardless of whether the Glickman Proceeds are distributed outright, held in trust, or deposited in the Interpleader Action as provided in this paragraph 4. The Glickmans agree to execute any documents reasonably necessary to maintain the continuous perfection of the First Security Interest. As used in this Agreement, "Adjusted Third Party Claims" shall mean the sum of all Third Party Claims, less the amount of any Third Party Claims as to which the Third Parties asserting such Claims acknowledge, in writing, that their right to the Glickman Proceeds is junior to all Consensual Liens other than the Second Security Interest and the Consensual Lien of Ross. If the Adjusted Third Party Claims exceed the Glickman Equity by more than \$450,000, then, if any of the Distributors commences any Interpleader Action, the Distributor commencing such

Interpleader Action shall, concurrently therewith and to the extent known to such Distributor, give written notice to the Lawyer Group of the total amount of the Adjusted Third Party Claims and the identity of each person or entity asserting such a claim, and, if ascertainable, whether the Lawyer Group's entitlement to the portion of the Glickman Proceeds allocable to the First Security Interest is contested (the "Contested Distributions"). In making such determination, the Distributor shall assume that there will be no change in the priority of the Consensual Liens as set forth on Schedule "3".

4.5.1 Any distributions to the Lawyer Group which are not Contested Distributions as defined in paragraph 4.5, above (the "Uncontested Distributions") shall not be subject to any restrictions or limitations, and may be used, applied, spent or transferred by the Lawyer Group in their sole discretion. Such Uncontested Distributions shall discharge the Obligations to the Lawyer Group pro tanto; PROVIDED, HOWEVER, that the Glickmans and the Secured Parties agree that, in the event that, after the Closing, any member of the Lawyer Group (hereinafter, a "Law Firm") is required to disgorge any Uncontested Distributions, the Obligations to said Law Firm shall be revived pro tanto, and the Lawyer Group shall retain their First Security Interest in all Glickman Proceeds (other than those distributed to Consensual Lienors senior to the Lawyer Group) as security for the Obligations to the Lawyer Group against any Claim by any Third Party that any of the Lawyer Group is required to disgorge any Uncontested Distributions.

4.5.2 As to Contested Distributions, the Lawyer Group may elect among any one or more of the following as to all or any portion of the Contested Distributions. The Glickmans authorize and direct each Law Firm to pay or distribute any such Contested Distributions as any court of competent jurisdiction may direct upon a Final Determination, and to move Contested Distributions among or between any one or more of the following to the extent permitted by this Agreement, as that Law Firm may determine in its sole discretion:

4.5.2.1 Delivery directly to one or more of the Lawyer Group (in each case, the "Recipient"), as payment and in discharge, pro tanto, of the Obligations to such Recipient. The parties hereto agree that the Recipient receiving any such distributions (the "Direct Distributions") shall own such Direct Distributions free and clear of any claim by any other party to this Agreement, other than, if applicable, another of the Lawyer Group. The Glickmans and the Secured Parties agree that, in the event that, after the Closing, any of the Lawyer Group is required to disgorge any Contested or Uncontested Distributions, the

Obligations to said Law Firm shall be revived pro tanto; and the Lawyer Group shall retain their First Security Interest in all Glickman Proceeds (other than those distributed to Consensual Lienors senior to the Lawyer Group) as security for the Obligations to the Lawyer Group against any Claim by any Third Party that any of the Lawyer Group is required to disgorge any Contested or

Uncontested Distributions, including any Direct Distributions. As an accommodation to Crown Crafts, and without admitting any obligation to limit its use of the Direct Distributions, each Recipient further agrees as follows with respect to such Direct Distributions made to such Recipient:

4.5.2.1.1 The Direct Distributions distributed to the Recipient shall be deposited in a bank, savings and loan association, brokerage house or other financial institution of Recipient's choice ("Depository Institution"), in a segregated, interest-bearing deposit account ("Deposit Account"), payable upon the Recipient's written demand. Recipient may withdraw up to 45% of the principal amount so deposited, by checks payable to the IRS or FTB, to pay bona fide taxes or estimated taxes due on or attributable to the Direct Distributions.

4.5.2.1.2 Each Recipient electing to receive Direct Distributions shall intervene in any pending Interpleader Action, or, if there is none, shall commence its own action for declaratory relief in the Court, to establish its right, title and interest in and to the Direct Distributions to such Recipient (the "Declaratory Relief Action"), naming as defendants in such action any Third Party identified by Crown Crafts or Red Calliope as having actually asserted or indicated an intention to assert any Adjusted Third Party Claims.

4.5.2.1.3 Pending a Final Determination in the Interpleader Action or the Declaratory Relief Action, as the case may be, by final judgment, settlement or otherwise, no Recipient shall remove any of the funds from its Deposit Account except upon order of the Court; PROVIDED, HOWEVER, that any Recipient may at any time remove funds from its Deposit Account (A) to the extent permitted by paragraph 4.5.2.1.1, above; (B) to deposit such funds in trust pursuant to the provisions of paragraph 4.5.2.2 below, in which event the First Security Interest in

so deposited; or (C) to interplead such Direct Distributions pursuant to the provisions of paragraph 4.5.2.3, below, in which event the First Security Interest in the Glickman Proceeds shall continue in and attach to any funds so interpled.

4.5.2.2 Delivery of all or any part of the Contested Distributions to a Depository Institution of such Law Firm's choice, for deposit into a segregated, interest-bearing trust account maintained by such Law Firm ("Trust Account"), in trust for the benefit of the Glickmans subject to the First Security Interest attaching to such deposit. The Glickmans and the Secured Parties agree that the Obligations to such Law Firm continue and are not discharged or released by the Merger or such deposit, and that the First Security Interest, and such Law Firm's interest therein, continues in and attaches to the Glickman Proceeds, including without limitation the Glickman Proceeds in such Trust Account (the "Proceeds Held in Trust"). Such Law Firm shall thereupon intervene in any pending Interpleader Action or shall commence a Declaratory Relief Action, as provided in paragraph 4.5.2.1.2, above. Pending a Final Determination, by final judgment, settlement or otherwise, in such Interpleader Action or Declaratory Relief Action, as the case may be, as to the rights of such Law Firm, the Law Firm shall not remove or allow to be removed any Proceeds Held in Trust from such Trust Account except upon order of the Court; PROVIDED, HOWEVER, that such Law Firm may at any time remove Proceeds Held in Trust from such Trust Account for the purpose of (A) transferring such Proceeds Held in Trust to a Deposit Account to become Direct Distributions subject to the provisions of paragraph 4.5.2.1, above; or (B) interpleading such Proceeds Held in Trust pursuant to the provisions of paragraph 4.5.2.3, below. The First Security Interest in the Glickman Proceeds shall continue in and attach to any funds so deposited or interpled.

4.5.2.3 Interplead some or all of the Contested Distributions in the Interpleader Action, subject to the First Security Interest. Nothing contained herein shall require a Secured Party which has elected to interplead Contested Distributions to disclaim any interest in such Contested Distributions, or to waive any security interest which attaches to such Contested Distributions. The Glickmans and the Secured Parties agree that such interpleaded funds constitute cash proceeds of the Collateral

and that upon the Merger and the interpleading of such funds, the First Security Interest in the Collateral (but not in the proceeds of the Collateral) shall be released and such security interest shall continue in and attach to the Glickman Proceeds, including without limitation the sums interpled pursuant to this paragraph 4.5.2.3, in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger regardless of whether the Glickman Proceeds are distributed outright, held in trust, or deposited in the Interpleader Action as provided in this paragraph 4. As to any Contested Distributions interpleaded by or at the request of any Law Firm, such Law Firm shall be exonerated from any and all liability to any other party hereto to the extent of the Contested Distributions so interpled.

4.6 Sixth, in respect of the \$350,000 Obligation to Chaleff & English.

4.6.1 If no Third Party asserts a Claim with respect to the validity or priority of said Obligation or the Second Security Interest, and if the total of all Third Party Claims is less than the sum of the Second Security Interest, plus the Consensual Liens junior to the Second Security Interest, plus the Glickman Equity, then Glickman Proceeds shall be distributed to Chaleff & English in satisfaction of the Obligations secured by the Second Security Interest until (A) the sum of \$350,000 has been distributed; or (B) the total of the Third Party Claims is equal to the sum of the unsatisfied portion of the Second Security Interest plus the Consensual Liens junior to the Second Security Interest plus the Glickman Equity, whichever shall first occur; PROVIDED, HOWEVER, that Crown Crafts shall interplead pursuant to paragraph 4.5.2.3, above, any amount otherwise distributable to Chaleff & English pursuant to this paragraph 4.6.1 if and to the extent a Third Party asserts any Claim with respect thereto. As to all Glickman Proceeds received by Chaleff & English pursuant to this paragraph 4.6.1, the Glickmans and Chaleff & English agree that such distribution is in satisfaction of and discharges pro tanto the Obligations of the Glickmans to Chaleff & English which are secured by the Second Security Interest; PROVIDED, HOWEVER, that the Glickmans and the Secured Parties agree that, in the event that, after the Closing, Chaleff & English is required to disgorge any Glickman Proceeds distributed to it, the Obligations to Chaleff & English shall be revived pro tanto, and Chaleff & English shall retain the Second Security Interest in all Glickman Proceeds (other than those distributed to Consensual Lienors senior to Chaleff & English), if and to the extent valid, as security for the

Obligations to Chaleff & English against any Claim by any Third Party that Chaleff & English is required to disgorge any Glickman Proceeds.

4.6.2 The parties hereto acknowledge that one or more of the Glickmans may hereafter become obligated to Chaleff & English in additional amounts, and that Chaleff & English claim that the Second Security Interest secures all such obligations in addition to the Obligations already owing; and that upon the Merger, the Second Security Interest in the Collateral (but not the proceeds of the Collateral) shall be released and such security interest, if and to the extent valid, shall continue in and attach to the Glickman Proceeds, including without limitation the sums distributed pursuant to this paragraph 4.6, in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger. The Glickmans agree to execute any documents reasonably necessary to maintain the continuous perfection of the Second Security Interest. Nothing contained herein shall limit the right of the Resolution Agent to contest the validity or priority of the Second Security Interest, except that the Resolution Agent expressly waives the right to contend that the Merger or any of the other transactions contemplated hereby affect the validity, priority or perfection of the Second Security Interest, or that, if such Second Security Interest was valid and subsisting as to the Collateral immediately prior to the Merger, it is not valid and subsisting as to the Glickman Proceeds.

4.7 Seventh, in respect of the \$100,000 Obligation to Ross.

4.7.1 If no Third Party asserts a Claim with respect to the validity or priority of said Obligation or the Consensual Lien of Ross (the "Ross Security Interest"), and if the total of all Third Party Claims is less than the sum of the Ross Security Interest, plus the Consensual Liens junior to the Ross Security Interest, plus the Glickman Equity, then Glickman Proceeds shall be distributed to Ross in satisfaction of the Obligations secured by the Ross Security Interest until (A) the sum of \$100,000 has been distributed; or (B) the total of the Third Party Claims is equal to the sum of the unsatisfied portion of the Ross Security Interest plus the Consensual Liens junior to the Ross Security Interest plus the Glickman Equity, whichever shall first occur; PROVIDED, HOWEVER, that Crown Crafts shall interplead pursuant to paragraph 4.5.2.3, above, any amount otherwise distributable to Ross hereunder if and to the extent a Third Party asserts any Claim with respect thereto. As to all Glickman Proceeds received by Ross pursuant to this paragraph 4.7.1, the Glickmans and Ross agree that such distribution is in satisfaction of and discharges pro tanto the Obligations of the Glickmans to Ross which



are secured by the Ross Security Interest; PROVIDED, HOWEVER, that the Glickmans and the Secured Parties agree that, in the event that, after the Closing, Ross is required to disgorge any Glickman Proceeds distributed to it, the Obligations to Ross shall be revived pro tanto, and Ross shall retain the Ross Security Interest in all Glickman Proceeds (other than those distributed to other Consensual Lienors), if and to the extent valid, as security for the Obligations to Ross against any Claim by any Third Party that Ross is required to disgorge any Glickman Proceeds.

4.7.2 The parties hereto acknowledge that one or more of the Glickmans may hereafter become obligated to Ross in additional amounts, and that Ross claims that the Ross Security Interest secures all such obligations in addition to the Obligations already owing; and that upon the Merger, the Ross Security Interest in the Collateral (but not the proceeds of the Collateral) shall be released and such security interest, if and to the extent valid, shall continue in and attach to the Glickman Proceeds, including without limitation the sums distributed pursuant to this paragraph 4.7, in the same order of priority and perfection as existed in the Collateral immediately prior to the Merger. The Glickmans agree to execute any documents reasonably necessary to maintain the continuous perfection of the Ross Security Interest. Nothing contained herein shall limit the right of the Resolution Agent to contest the validity or priority of the Ross Security Interest, except that the Resolution Agent expressly waives the right to contend that the Merger or any of the other transactions contemplated hereby affect the validity, priority or perfection of the Ross Security Interest, or that, if such Ross Security Interest was valid and subsisting as to the Collateral immediately prior to the Merger, it is not valid and subsisting as to the Glickman Proceeds.

4.8 Lastly, if there are no Third Party Claims asserted prior to the Closing, the Glickman Equity shall be distributed to the Glickmans as they may direct in writing not less than five business days prior to the Closing. If there are any Third Party Claims asserted prior to the Closing, then Crown Crafts shall interplead the Glickman Proceeds in the Interpleader Action in an amount equal to the lesser of: (i) the Third Party Claims; or (ii) the sum of the Glickman Equity plus \$450,000.

5. Each of the Lawyer Group, MSK and Ross respectively agrees, severally but not jointly, to indemnify and hold harmless the Distributors from and against any suit, action or proceeding, or any damage or loss resulting therefrom (including without limitation from and against actual costs and reasonable attorneys'

fees incurred in connection with the defense of such suit, action or proceeding), solely with respect to the Glickman Proceeds distributed to MSK, Ross or such Law Firm, as the case may be, brought against any of the Distributors by any Third Party, asserting that a payment, in the case of MSK or Ross or, as to the Lawyer Group, a Direct Distribution to such Law Firm, or the delivery of Proceeds Held in Trust to such Law Firm, was wrongful or otherwise not permitted by reason of such Third Party's Claim; PROVIDED, HOWEVER, that (i) such indemnification shall be limited to \$182,228.78 plus simple interest at seven percent (7%) per annum ("Interest") in the case of MSK, or, as to Ross, to the amount of any payment made to Ross, plus Interest, or, as to any Law Firm, to the amount of any Direct Distributions received by such Law Firm, plus any Proceeds Held in Trust delivered to such Law Firm, less any such Direct Distributions or Proceeds Held in Trust remitted by such Law Firm to Crown Crafts or to any Third Party upon a Final Determination of the Court or upon a good-faith settlement of any claim in the Interpleader Action or the Declaratory Relief Action, or interpleaded by such Law Firm in the Interpleader Action, plus Interest; (ii) such Law Firm shall be entitled to conduct the defense of the Distributors in connection with any such suit, action or proceeding, as to claims relating to distributions to or for the benefit of such Law Firm, and may conduct such defense, including without limitation, in the Interpleader Action or the Declaratory Relief Action, at its own expense, by itself or by other counsel selected in its reasonable discretion and approved by Crown Crafts, which approval shall not unreasonably be withheld or delayed; and (iii) the Distributors shall not settle any such suit, action or proceeding without the written consent of any Law Firm affected thereby, which consent shall not unreasonably be withheld or delayed. If a Law Firm elects to interplead all Glickman Proceeds distributable to it pursuant to paragraph 4.5.2.3, above, then it shall be exonerated and discharged from any obligations pursuant to this paragraph 5, except as to attorneys' fees and costs incurred by any Distributor in the defense of any suit, action or proceeding relating to or arising from any Direct Distributions to that Law Firm, which attorneys' fees or costs were incurred prior to interpleading such Direct Distributions.

6. Carol Glickman, for herself and not in any other capacity, agrees to indemnify and hold harmless the Distributors from and against any suit, action or proceeding or any damage or loss resulting therefrom, including without limitation from and against actual costs and reasonable attorneys' fees incurred in connection with the defense of such suit, action or proceeding, brought against Crown Crafts by any Third Party, asserting that a Direct Distribution to one or more of the Lawyer Group was wrongful or otherwise not permitted by reason of such Third Party's Claim. Such indemnification shall be subject to the following terms and conditions:

6.1 The foregoing indemnification shall be without recourse except as to amounts in excess of \$750 per month payable by Red Calliope to Carol Glickman pursuant to that certain Consulting Agreement between Red

Calliope and Carol Glickman to be executed at Closing substantially in the form of Exhibit A to the Merger Agreement (the "Consulting Agreement").

6.2 The foregoing indemnification shall be solely with respect to the portion of any Direct Distributions which are withdrawn by the Recipient from the Deposit Account as provided in paragraph 4.5.2.1.1, above, and shall be reduced to the extent such Direct Distributions are (i) returned to the Deposit Account, with interest thereon at the rates earned in the Deposit

Account; (ii) returned or paid to Crown Crafts or interpleaded in the Interpleader Action; or (iii) paid to a Third Party on account of a Claim, either pursuant to a Final Determination of the Court or pursuant to a good faith settlement.

6.3 Carol Glickman shall have no obligation pursuant to said indemnity unless and until the Law Firm whose Direct Distributions gave rise to such indemnity obligation shall have failed to reimburse Crown Crafts or Red Calliope for an out-of-pocket loss of Crown Crafts or Red Calliope, as the case may be, after fifteen days' written notice to such Law Firm and to Carol Glickman; and Crown Crafts or Red Calliope, as the case may be, shall have given fifteen days' written notice to Carol Glickman of such failure to reimburse Crown Crafts, and neither such Law Firm nor Carol Glickman shall have cured such failure.

6.4 To secure Carol Glickman's performance hereunder, Carol Glickman hereby grants the Distributors a first security interest in the amounts in excess of \$750 per month payable to her pursuant to the Consulting Agreement (the "Secured Portion"). In connection therewith, Carol Glickman further agrees as follows:

6.4.1 Carol Glickman shall execute such documents as the Distributors may reasonably require to perfect their security interest in the Secured Portion.

6.4.2 In the event there are Third Party Claims asserting that the Direct Distributions were wrongful as to such Third Party, Red Calliope is hereby directed and authorized to withhold payment of the Secured Portion to Carol Glickman, and to deposit such payments into an interest bearing deposit account in the names of Carol Glickman and Crown Crafts, until the amount in said deposit account equals the lesser of (A) such Third Party Claims or (B) the total of all Direct Distributions which were withdrawn by the Recipients from Deposit Accounts, with interest thereon.

6.4.3 Crown Crafts and Red Calliope agree to release their interest in said withheld payments and in the deposit account into which

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they were placed, and to release their security interest in the Secured Portion and any proceeds thereof, and to execute all documents reasonably required to effect such releases, upon the first to occur of: (A) the resolution of all Declaratory Relief Actions, and the return, to Crown Crafts or any Third Parties entitled thereto, of any Direct Distributions determined to have been wrongfully paid, if any; (B) the exhaustion of all indemnification obligations of all of the Lawyer Group pursuant to paragraph 5, above; or (C) the reduction of the amount of such indemnification to zero pursuant to paragraph 6.2, above.

7. Except with respect to the obligations created by or arising out of this Agreement, the Lawyer Group,

MSK, the Resolution Agent, the E. Fine Trustee (in his capacity as such), each of the Trust B Parties (but only to the extent such Trust B Party is a trustee of Trust B, and only in his capacity as such) and Ross (collectively, the "Covenanting Parties") covenant not to commence any suit, action or proceeding, at law or in equity, against any of the Distributors by reason of anything relating to or arising out of the Merger, the Collateral or the Covenanting Parties' right to all or any part of the Glickman Proceeds. Without in any way limiting the generality of the foregoing, the Covenanting Parties covenant not to commence any suit, action or proceeding, at law or in equity, against any of the Distributors by reason of any of the following:

7.1 To the extent permitted by the Merger Agreement or this Agreement, the commencement of the Interpleader Action or the delivery of any or all of the Glickman Proceeds to the Court or to the Depository Institution in lieu of payment to any of the Covenanting Parties;

7.2 Any disputes among the Covenanting Parties, or between any Covenanting Party and any person or entity not a party hereto with respect to such Covenanting Parties' interest in or entitlement to the Glickman Proceeds, including without limitation with respect to the amount, validity or priority of the Covenanting Parties' respective security interests; or

7.3 If any person or entity other than one of the Distributors defeats or subordinates a Covenanting Party's interest in the Glickman Proceeds, in whole or in part, the fact that the Obligations to such Covenanting Party were not paid in full out of the Glickman Proceeds.

8. If, after the Closing, any person or entity commences any suit, action or proceeding against any of the Distributors with respect to the payment of all or any part of the Glickman Proceeds to MSK, the Resolution Agent or any of the Lawyer Group pursuant to paragraph 4, above, MSK, the Resolution Agent and each of the Law Firms respectively agree, severally but not jointly, to indemnify and hold harmless each of the Distributors from and against any such suit, action or

proceeding, or any damage or loss resulting therefrom (including without limitation from and against actual costs and reasonable attorneys' fees incurred in connection with the defense of such suit, action or proceeding), solely with respect to the Glickman Proceeds distributed to MSK or such Law Firm, as the case may be; PROVIDED, HOWEVER, that (i) such indemnification shall be limited to \$182,228.78 in the case of MSK, shall be limited to \$200,000 in the case of the Resolution Agent, and, as to any Law Firm, shall be limited to the amount of any Direct Distributions received by such Law Firm, plus any Proceeds Held in Trust delivered to such Law Firm, less any such Direct Distributions or Proceeds Held in Trust remitted by such Law Firm to Crown Crafts or to any Third Party upon a Final Determination of the Court or upon a good-faith settlement of any claim in the Interpleader Action or the Declaratory Relief Action, or interpleaded by such Law Firm in the Interpleader Action; (ii) such Law Firm shall be entitled to conduct the defense of the Distributors in connection with any such suit, action or proceeding, as to claims relating to distributions to or for the benefit of such Law Firm, and may conduct such defense, including without limitation, in the Interpleader Action or the Declaratory Relief Action, at its own expense, by itself or by other counsel selected in its reasonable discretion and approved by Crown Crafts, which approval shall not

unreasonably be withheld or delayed; and (iii) the Distributors shall not settle any such suit, action or proceeding without the written consent of any Law Firm affected thereby, which consent shall not unreasonably be withheld or delayed. If a Law Firm elects to interplead all Glickman Proceeds distributable to it pursuant to paragraph 4.5.2.3, above, then it shall be exonerated and discharged from any obligations pursuant to this paragraph 8, except as to attorneys' fees and costs incurred by the Distributors in the defense of any suit, action or proceeding relating to or arising from any Direct Distributions to that Law Firm, which attorneys' fees or costs were incurred prior to interpleading such Direct Distributions.

9. The Glickmans warrant and represent that there are no consensual liens or consensual security interests in or to the Collateral or the Securities other than the Consensual Liens, and that, between the execution hereof and the Closing, they shall not voluntarily cause any other consensual liens or consensual security interests to be granted in or to the Collateral or the Securities, without the prior written consent of Crown Crafts and the Resolution Agent; PROVIDED, HOWEVER, that in the event there is a threat of any additional involuntary liens being placed against any of the Collateral, the Glickmans may grant, create, or assist in granting or creating, additional liens in favor of the IRS or the FTB with respect to 1995 taxes or estimated taxes payable by the Glickmans. Nothing contained herein shall preclude the Glickmans from responding to requests, notices, conduct or actions initiated by the IRS or the FTB.

10. MSK warrants and represents, without any duty of investigation, that, as of the date hereof, it is not aware of any liens or security interests in, to or against the Collateral or the Securities other than the Consensual Liens. MSK agrees

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that if, prior to the Closing, it becomes aware of any such liens or security interests other than the Consensual Liens, it will give written notice thereof within three business days to Crown Crafts, Red Calliope, the Lawyer Group and the Resolution Agent.

11. Each of MSK and Kopple agrees, severally but not jointly, that neither it nor, in the case of MSK, any partner of MSK, shall assert any claim that either the Merger Agreement or this Agreement constitutes a settlement as between the Resolution Agent and any of the Glickmans, or that the provisions of *Franklin v. Kaypro Corp.*, 884 F.2d 1222 (9th Cir. 1989), cert. denied, 498 U.S. 890 (1990) ("Kaypro"), apply to the Merger Agreement or this Agreement. In consideration thereof, the Resolution Agent agrees that, as to any Glickman Proceeds actually received by any PMC-Related Entity (other than the portion of the Glickman Proceeds distributable to the Resolution Agent pursuant to paragraph 4.4, above), or hereafter attached by or subjected to a lien in favor of any PMC-Related Entity, in his capacity as such, and as to which such PMC-Related Entity, in his capacity as such, has obtained a judgment against Stanley Glickman, MSK and Kopple shall receive dollar-for-dollar credit therefor against any judgment against either or both of them in any pending or future litigation against either of them brought by the Resolution Agent or the additional signatories on page 24 hereof. For purposes of this paragraph 11, a "PMC-Related Entity" shall mean and include any of: the Resolution Agent, in his capacity as such, the class of plaintiffs approved for purposes of settlement in *Karatz, et al. v. Fine, et al.*, Case No. CV-92-2172-WJR, in the United States District Court for the Central District of California (the "Class"), any member of the Class, in any capacity which causes him to be a member of the Class, the "New Committee" in the Chapter 11 cases of Property Mortgage Co., Inc. ("PMC") and SLGH Investments, Inc. ("SLGH"),

any creditor of the estates of PMC or SLGH, in his capacity as such, or any named plaintiff in any of the following cases (the "Investor Actions") pending in Los Angeles Superior Court ("LASC") or United States District Court for the Central District of California ("USDC"): Carmel, et al. v. Glickman, et al., LASC Case No. BC 090898, Altman, et al. v. Glickman, et al., LASC Case No. BC 094624, Bass, et al. v. Glickman, et al., LASC Case No. BC 098540, Friedman, et al. v. Glickman, et al., LASC Case No. BC 103971, Abrams, et al. v. Glickman, et al., LASC Case No. BC 098875, Berman, et al. v. Glickman, et al., LASC Case No. BC 129453, Karatz, et al. v. Fine, et al., USDC Case No. CV-92-2172-WJR, Gore, et al. v. Groman, et al., LASC Case No. BC 098664. MSK and Kopple reserve the right to assert that any agreement (other than this Agreement, the Merger Agreement, or any other agreements executed in connection with the Merger) should be treated as a settlement with the Glickmans and/or should be subject to the provisions of Kaypro, and the Resolution Agent and counsel for the plaintiffs in the Investor Actions reserve the right to assert otherwise. The provisions of this paragraph shall be of no force or effect unless counsel for the plaintiffs in the Investor Actions signs this Agreement as provided on page 24 hereof.

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12. This Agreement shall be governed, construed, interpreted and enforced by the laws of the State of California without regard to choice of law provisions.

13. In the event of any suit, action or proceeding between or among any parties hereto relating to or arising out of this Agreement or the transaction contemplated hereby, the prevailing party in such suit, action or proceeding shall be entitled to recover its actual costs and reasonable attorneys' fees incurred therein; PROVIDED, HOWEVER, that the foregoing shall not affect the rules and procedures governing costs and attorneys' fees in interpleader actions, provided that such interpleader action was permitted by the Merger Agreement or this Agreement.

14. All notices or other communications required or permitted to be given to any party hereunder shall be in writing (except as otherwise provided herein) and shall be deemed duly given when received by delivery in person, by telecopy, telex or telegram or by certified mail, postage prepaid, or by an overnight courier service, addressed to such party at its address set forth on the signature page hereof.

15. This Agreement, together with the documents expressly referred to herein, constitute the entire agreement between the parties hereto with respect to the subject matter contained herein and supersede all prior agreements and understandings among the parties with respect to such subject matter.

16. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, assigns and personal representatives, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties.

17. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same document.

18. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

19. Each party hereto shall execute and deliver such additional documents as may be necessary or desirable to consummate the transactions contemplated by this Agreement.

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20. This Agreement may be amended, modified and supplemented only by a written document executed by all of the parties hereto.

21. Whenever used in this Agreement, any noun or pronoun shall be deemed to include both the singular and the plural and to cover all genders.

22. Each individual signing this Agreement, and any other documents executed in connection with this Agreement, whether signed individually or on behalf of any person or entity, warrants and represents that he or she has full authority to so execute the Agreement on behalf of the party or parties on whose behalf he or she so signs.

REST OF PAGE INTENTIONALLY LEFT BLANK

SIGNATURE PAGE FOLLOWS IMMEDIATELY HEREAFTER

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IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first set forth above.

LEONARD, DICKER & SCHREIBER

By:

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Its:

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Address:

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KOPPLE & KLINGER

By:

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Its:

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Address:

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STUTMAN, TREISTER & GLATT

By:

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Its:

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Address:

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CHALEFF & ENGLISH

By:

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Its:

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Address:

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23

THE RED CALLIOPE AND ASSOCIATES, INC.

By:

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Its:

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Address:

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NEAL FOHRMAN, as Voting Trustee pursuant  
to that certain Voting Trust Agreement  
dated as of February 13, 1992 [sic]

Address:

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STANLEY GLICKMAN, individually, as  
Trustee of the Glickman Family Trust and  
as a general partner of the Glickman  
Family Investment Partnership

Address:

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CAROL GLICKMAN, individually, as Trustee  
of the Glickman Family Trust and as a  
general partner of the Glickman Family  
Investment Partnership

Address:

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CROWN CRAFTS, INC.

By:

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Its:

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Address:



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CC ACQUISITION CORP.

By:

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Its:

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Address:

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MITCHELL SILBERBERG & KNUPP

By:

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Its:

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Address:

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R. TODD NIELSON, in his capacity as  
Resolution Agent of Reorganized Property  
Mortgage Co., Inc.

Address:

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ROBERT MANN, in his capacity as  
Trustee of Elliot Fine Trust A

Address:

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ROSS, SACKS & GLAZIER

By:

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Its:

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Address:

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ROBERT C. KOPPLE, A PROFESSIONAL  
CORPORATION

By:

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Its:

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Address:

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ROBERT C. KOPPLE, an individual

Address:

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THE TRUST B PARTIES, to the extent,  
if any, they have the capacity to  
act on behalf of Trust B:

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ROBERT MANN

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STANLEY GLICKMAN

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CAROL GLICKMAN

Agreed to for purposes of Paragraph 11 only.

The named plaintiffs in the following actions:

- Carmel, et al. v. Glickman, et al., LASC Case No. BC 090898
- Altman, et al. v. Glickman, et al., LASC Case No. BC 094624
- Bass, et al. v. Glickman, et al., LASC Case No. BC 098540
- Friedman, et al. v. Glickman, et al., LASC Case No. BC 103971
- Abrams, et al. v. Glickman, et al., LASC Case No. BC 098875
- Berman, et al. v. Glickman, et al., LASC Case No. BC 129453
- Karatz, et al. v. Fine, et al., USDC Case No. CV-92-2172-WJR
- Gore, et al. v. Groman, et al., LASC Case No. BC 098664

By Strange & Hoey, their counsel

By

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Brian Strange

EXHIBIT 10.6

PROMISSORY NOTE

\$5,152,964.00

October 31, 1995

For value received, the undersigned, CROWN CRAFTS, INC., a Georgia corporation ("Maker"), hereby promises to pay to the order of NEAL FOHRMAN, an individual ("Holder"), at such place as Holder may designate, in lawful money of the United States of America, the principal sum of Five Million One Hundred Fifty-two Thousand Nine Hundred Sixty-four Dollars (\$5,152,964.00), together with interest thereon from the date hereof. Interest on the principal sum shall accrue at the rate of six and one-quarter percent (6.25%) per annum. The entire balance of principal, and all interest accrued thereon, shall be due and payable in full on January 10, 1996 (the "Maturity Date"). Payment of the entire balance of principal, and all interest accrued thereon, shall be by wire transfer of immediately available funds to an account designated by Holder prior to the Maturity Date.

If this Note is not paid by the Maturity Date, Maker promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees.

Maker expressly waives presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and all other notices of any kind. To the fullest extent permitted by law, the defense of the statute of limitations in any action on this Note is waived by the undersigned.

This Note has been executed and delivered in the State of California and is to be governed by and construed according to the laws thereof, except to the extent that such laws are preempted by federal law.

No single or partial exercise of any power hereunder shall preclude other or further exercise thereof or the exercise of any other power. No delay or omission on the part of Holder in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Note. Acceptance of any sum by Holder that is less than full payment shall not be construed as a waiver of any default in the payment of this Note.

All agreements between Maker and Holder are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to Holder for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable usury laws. If, from any circumstances whatsoever, fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law that a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstances Holder shall ever receive

as interest an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not to the payment of interest.

CROWN CRAFTS, INC.

By:

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Name: E. Randall Chestnut  
Its: Vice President

EXHIBIT 10.7

PROMISSORY NOTE

\$626,367.00

October 31, 1995

For value received, the undersigned, CROWN CRAFTS, INC., a Georgia corporation ("Maker"), hereby promises to pay to the order of EDWARD TANNENBAUM, an individual ("Holder"), at such place as Holder may designate, in lawful money of the United States of America, the principal sum of Six Hundred Twenty-six Thousand Three Hundred Sixty-seven Dollars (\$626,367.00), together with interest thereon from the date hereof. Interest on the principal sum shall accrue at the rate of six and one-quarter percent (6.25%) per annum. The entire balance of principal, and all interest accrued thereon, shall be due and payable in full on January 10, 1996 (the "Maturity Date"). Payment of the entire balance of principal, and all interest accrued thereon, shall be by wire transfer of immediately available funds to an account designated by Holder prior to the Maturity Date.

If this Note is not paid by the Maturity Date, Maker promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees.

Maker expressly waives presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and all other notices of any kind. To the fullest extent permitted by law, the defense of the statute of limitations in any action on this Note is waived by the undersigned.

This Note has been executed and delivered in the State of California and is to be governed by and construed according to the laws thereof, except to the extent that such laws are preempted by federal law.

No single or partial exercise of any power hereunder shall preclude other or further exercise thereof or the exercise of any other power. No delay or omission on the part of Holder in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Note. Acceptance of any sum by Holder that is less than full payment shall not be construed as a waiver of any default in the payment of this Note.

All agreements between Maker and Holder are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to Holder for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable usury laws. If, from any circumstances whatsoever, fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law that a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstances Holder shall ever receive

as interest an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not to the payment of interest.

CROWN CRAFTS, INC.

By:

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Name: E. Randall Chestnut  
Its: Vice President

EXHIBIT 23

(LEDERMAN, ZEIDLER & CO. LETTERHEAD)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-87586 of Crown Crafts, Inc. on Form S-8 of our report dated August 10, 1995 appearing in the Current Report on Form 8-K of Crown Crafts, Inc. dated on or about November 10, 1995 and relating to the consolidated financial statement of the Red Calliope and Associates, Inc. as of June 30, 1995 and for the year ended June 30, 1995.

/s/ Lederman, Zeidler & Co.

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LEDERMAN, ZEIDLER & CO.

Beverly Hills, California  
November 9, 1995

EXHIBIT 99

(Crown Craft Logo)

CROWN CRAFTS, INC.  
1600 RiverEdge Parkway  
Suite 200  
Atlanta, GA 30328

NEWS RELEASE

November 6, 1995

FOR IMMEDIATE RELEASE

CROWN CRAFTS COMPLETES ACQUISITION OF THE RED CALLIOPE

Atlanta, Georgia -- Crown Crafts, Inc. (NYSE:CRW) announced today that it has completed its previously-announced acquisition of The Red Calliope and Associates, Inc., for approximately \$16 million in cash and short-term notes, subject to certain post-closing adjustments. The Red Calliope, formerly a privately-owned company, is a leading designer, manufacturer and marketer of infant bedding products and related accessories.

"We are extremely pleased to be entering the infant bedding market through the acquisition of such a well-respected name in the industry," commented Michael H. Bernstein, Crown Crafts' President and Chief Executive Officer. "We have already begun developing new products to introduce at the upcoming Juvenile Products Manufacturers' Association trade show which will be held in Dallas the week of November 12."

Expanding on this topic, E. Randall Chestnut, Crown Crafts' Vice President of Development, stated, "As a result of this acquisition, The Red Calliope will bring two new product lines to this year's JPMA show. First, by combining The Red Calliope's expertise in infant bedding with Crown Crafts' expertise in luxury linens, a new upscale line of products will be sold under the Crown Baby(C) name. Also, utilizing Crown Crafts' significant jacquard-weaving expertise, a line of more than 25 infant and juvenile throws will be introduced incorporating The Red Calliope's popular designs. For many years, Crown Crafts has been a fashion leader in the adult bedroom. Now, with the acquisition of The Red Calliope, we are the fashion leader in the infant's room as well."

The Red Calliope's merchandise offerings include several significant products as part of the Baby Mickey & Co.(C), Pooh(C) and Classic Pooh(C) brand.

Crown Crafts, headquartered in Atlanta, Georgia, designs, manufactures, and markets bed covering products and related home fashion accessories. The Company's two principal product categories are comforters and coordinated accessories and jacquard-woven cotton products.

Contact: Paul A. Criscillis, Jr.                      E. Randall Chestnut  
Vice President, Chief Financial Officer      Vice President of Development  
(770) 644-6230                                      (770) 644-6263