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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

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(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES AND EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED MARCH 29, 1998  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
SECURITIES ACT OF 1934  
COMMISSION FILE NO. 1-7604

</TABLE>

CROWN CRAFTS, INC.

(Exact name of registrant as specified in its charter)

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GEORGIA	58-0678148
(State of Incorporation)	(I.R.S. Employer Identification No.)
1600 RIVEREDGE PARKWAY,	30328
SUITE 200	(Zip Code)
ATLANTA, GEORGIA	

(Address of principal executive offices)

</TABLE>

Registrant's Telephone Number, including area code: (770) 644-6400

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

COMMON STOCK, \$1.00 PAR VALUE

(Title of Class)

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

NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No .

As of June 15, 1998, 8,599,967 shares of Common Stock were outstanding, and the aggregate market value of the Common Stock (based upon the NYSE closing price of these shares on that date) held by persons other than Officers, Directors, the Company's Employee Stock Option Plan, and 5% shareholders was approximately \$74,864,000.

DOCUMENTS INCORPORATED BY REFERENCE:

Crown Crafts, Inc., Proxy Statement in connection with its Annual Meeting of Shareholders on August 25, 1998 (Part III).

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PART I

ITEM 1. BUSINESS

Crown Crafts, Inc., a Georgia corporation founded in 1957, operates, both directly and indirectly through its subsidiaries, in a single business segment within the textile industry. Crown Crafts, Inc. and its subsidiaries

(individually and collectively, the "Company") design, manufacture, market and distribute home furnishings products. These products are marketed under a variety of Company-owned trademarks, under trademarks licensed from others, without trademarks as unbranded merchandise and with customers' private labels.

During the fiscal year ended March 29, 1998, the Company completed four acquisitions. Three of the acquired entities, Hamco, Inc., Noel Joanna, Inc. and Pinky Baby Products, are engaged in the design, manufacture, marketing and distribution of infant products. The fourth acquisition, Burgundy Interamericana, S.A. de C.V., operated in Mexico as a contract manufacturer of consumer textile products. The Company expects to utilize all of Burgundy's productive capacity in the manufacture of its own infant and other products, moving production from independent foreign manufacturers into Burgundy.

## PRODUCTS

The Company's products fall into three groups: bedroom products, throws and decorative home accessories, and infant and juvenile products.

The Company's bedroom products include comforters, comforter sets, sheets, pillowcases, pillow shams, bed skirts, duvets, daybed sets, window treatments, decorative pillows, coverlets and jacquard-woven bedspreads. These products are made from a variety of natural and man-made fibers.

The Company offers its bedroom products in a wide variety of styles and patterns, from comforters to woven bedspreads and from solid colors to designer prints. The Company believes the trend toward coordination of the bedroom will remain strong and expects to continue its emphasis on comforter sets with coordinated sheets and accessories.

Throws are manufactured and imported in a variety of colors, designs and fabrics, including cotton, acrylic, cotton/acrylic blends, rayon, wool, fleece and chenille. Coordinated decorative home accessories include table runners, doorknob pillows, bell pulls and other items.

Infant and juvenile products include crib bedding, diaper stackers, mobiles, bibs, receiving blankets, burp cloths, bathing accessories and other infant soft goods.

During the fiscal years ended March 29, 1998, March 30, 1997 and March 31, 1996, respectively, bedroom products represented 40%, 45% and 56% of consolidated net sales, throws and decorative home accessories represented 30%, 34% and 37% of consolidated net sales, and infant and juvenile products represented 30%, 20% and 6% of consolidated net sales.

## PRODUCT DESIGN AND STYLING

The Company's research and development expenditures focus primarily on product design and styling. The Company believes styling and design are key components to its success. In recent years the Company has significantly increased the number of people and other resources dedicated to this area. The Company's designs include traditional, contemporary, textured and whimsical patterns. The Company designs and manufactures products across a broad spectrum of retail price points. The Company is continually developing new designs for all three of its product groups.

The Company's designers and stylists work closely with the marketing staff to develop new designs. The Company develops internally and obtains designs from numerous sources, including graphic artists, decorative fabric manufacturers, apparel designers, the Company's employees and museums. The Company utilizes computer aided design systems to increase its design flexibility and reduce costs. In addition, these systems

significantly shorten the time for responding to customer needs and changing market trends. The Company also creates designs for exclusive sale by certain of its customers.

## SALES AND MARKETING, CUSTOMERS

The Company markets its products through a national sales force consisting of salaried sales executives and employees and independent commissioned sales representatives. Independent representatives are used most significantly in sales to the gift trade through Goodwin Weavers and Churchill Weavers, and to

the infant markets. Sales outside the United States and Canada are made primarily through distributors.

The Company's customers consist principally of department stores, chain stores, mass merchants, specialty home furnishings stores, wholesale clubs, gift stores and catalogue and direct mail houses. During the fiscal years ended March 29, 1998, March 30, 1997, and March 31, 1996, sales to Wal-Mart Stores, Inc. accounted for 19%, 17% and 18% of net sales, respectively. In June 1998, Wal-Mart informed the Company that effective February 1, 1999, it would discontinue the Company's "Signature Series" line of bedding and accessories. Sales of all products in this line represented 9% of the Company's net sales in the fiscal year ended March 29, 1998. Because Wal-Mart will continue to purchase these products from the Company during most of the current fiscal year, the full impact on net sales of this decision will not be felt until the fiscal year which begins March 29, 1999.

The Company's primary showroom and sales office is located in New York City. Sales offices are also maintained in Chicago, Atlanta, Boston, Los Angeles, Dallas, and Tyler, Texas. An additional showroom is located in the Company's Atlanta corporate headquarters location.

The Company sells the majority of its products to retailers for resale to consumers. The Company generally introduces new products to the retail trade during the industry's April and October home textile markets. Initial shipments of successful new designs generally occur at least six months after the product introduction as more conservative buyers follow the lead of market innovators. New product introductions for the gift trade are concentrated in January-March and June-August when Goodwin Weavers and Churchill Weavers participate in numerous local and regional gift shows. The Company's infant product subsidiaries generally introduce new products once each year during the annual Juvenile Products Manufacturers' Association trade show. Private label products manufactured by the Company are introduced throughout the year.

The Company uses visually appealing and informative packaging, point-of-sale displays and advertising materials for retailers. Most of these are produced in the Company's own print shop, which offers design, typesetting and finishing services. The Company also regularly advertises its products in publications directed to the trade.

The Company also markets primarily close-out and irregular products through its own retail stores located in Calhoun, Georgia, Roxboro, North Carolina, Blowing Rock, North Carolina, Berea, Kentucky, Rancho Santa Margarita, California and in several outlet malls and resort areas located primarily in the southeastern United States. In fiscal 1998, less than 2.5% of the Company's sales were made through its outlet stores.

## MANUFACTURING

The Company has made significant investments in modernization and expansion to lower manufacturing costs, maximize design flexibility, improve quality and service, and increase productive capacity.

The Company produces adult comforters and accessories at its owned facility in Roxboro, North Carolina. The Roxboro Plant utilizes an automated warehouse and distribution system which allows the Company to reduce inventories, improve physical control over inventories, reduce order fulfillment lead times, and provide enhanced levels of service.

## 2

The Company produces jacquard-woven bedspreads and throws at its weaving mills in Dalton, Georgia, and Ronda, North Carolina. These products are then finished, packed and shipped from the Calhoun, Georgia, facilities. The Company also utilizes a warehouse and distribution center in Chatsworth, Georgia.

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

## RAW MATERIALS

The principal raw materials used in the manufacture of adult and infant

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

The Company uses significant quantities of cotton, either in the form of cotton yarn, cotton fabric or polycotton fabric. Cotton is subject to ongoing price fluctuations. The price fluctuations are a result of cotton being an agricultural product subject to weather patterns, disease and other factors as well as supply and demand considerations, both domestically and internationally. To reduce the effect of potential price fluctuations, the Company often makes commitments for future purchases of cotton yarns and fabrics up to a year before delivery. Nonetheless, significant increases in the price of cotton could adversely affect the Company's operations.

#### SEASONALITY, INVENTORY MANAGEMENT

Historically, the Company has experienced a seasonal sales pattern, with a greater sales volume in each of the last three fiscal quarters of the year (July through March). This seasonality results from retailers having higher sales in the second half of the year.

The Company carries normal inventory levels to meet delivery requirements of customers. Customer returns of merchandise shipped are not material.

#### ORDER BACKLOG

The Company's backlogs of unfilled customer orders believed by management to be firm were \$34,503,000 and \$26,518,000 at May 31, 1998 and June 1, 1997 respectively. The majority of these unfilled orders are scheduled to be shipped within approximately eight weeks, and none are expected to be shipped beyond the completion of the current fiscal year ending March 28, 1999. Due to the prevalence of quick-ship programs adopted by its customers, the Company does not believe that its backlogs are a meaningful indicator of future business.

#### TRADEMARKS, COPYRIGHTS AND PATENTS

The Company's products are marketed in part under well-known trademarks. The Company considers its trademarks to be of material importance to its business. Adult comforters and accessories primarily carry the trademark Crown Crafts(R). The majority of throws carry the trademarks Crown Crafts(R) and Goodwin Weavers(R). Infant products carry the trademarks Red Calliope(R), Little Bedding(R), NoJo(R), Hamco(R) and Pinky(R). Protection for these marks is obtained through domestic and foreign registrations. Also important to the Company is the trademark Royal Sateen(R), which was developed in a joint effort with Kitan Textile Industries Ltd. of Israel. Kitan is the registered owner of the mark and the Company is the exclusive marketer of Royal Sateen products in the United States and other parts of the Western Hemisphere.

In addition, certain products are manufactured and sold pursuant to licensing agreements that include, among others: Disney(R), Bob Timberlake(TM), Colonial Williamsburg(R), Warner Bros.(R), Hallmark(R), and Raymond Waites(R). The licensing agreements for the Company's designer brands generally are for a term of 2 to 6 years, and may or may not be subject to automatic renewal or extension. Sales of product under the Company's license with The Walt Disney Company accounted for 14% of the Company's total sales volume during fiscal 1998. Although revenue has not been material, the Company has licensed and has sold fabric for certain of its more successful designs to manufacturers of other products such as bath accessories, table linens, wallpaper borders and rugs. The Company believes that its licensing activities, both as a licensee and licensor, will continue to increase in importance as the Company grows.

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

by the Company.

Following the end of the March 29, 1998 fiscal year, the Company entered into licensing agreements with Calvin Klein, Inc. and Disney Enterprises, Inc. The Calvin Klein license grants the Company the right to produce and sell bedcoverings and associated products under the Calvin Klein Home name. The Disney license expands the Company's right to produce and sell products featuring Disney characters.

The Company's commitment for minimum guaranteed royalty payments under all license agreements is \$4,200,000, 13,500,000, 11,900,000, \$5,000,000, 5,000,000 and 4,200,000 respectively for fiscal 1999, 2000, 2001, 2002, 2003 and 2004. The Company believes that future sales of royalty products will exceed amounts required to cover the minimum royalty guarantees. The Company's total royalty expense, net of royalty income, was \$8,687,000, \$7,336,000 and \$3,404,000 for fiscal 1998, 1997 and 1996 respectively.

## COMPETITION

The textile industry, including the market for home furnishings products, is highly competitive. The Company competes with a variety of manufacturers, many of which are vertically integrated textile companies with substantially greater resources than the Company, and many of which are of similar size to the Company. Competitors may have customer relationships that may be superior to those of the Company and may have substantially greater resources. The Company believes that it is the fifth largest domestic manufacturer of bed coverings, including comforters, comforter sets and jacquard-woven bedspreads, with a total market share of less than 10%. The Company also believes that it is the largest domestic manufacturer of throws controlling about one-third of this market, and it is the largest producer of infant bed coverings and bibs controlling about one-fourth of these markets.

The Company competes on the basis of quality, design, price, service and packaging. Except for acrylic throws, luxury linens, and matelasse coverlets and bedspreads, the Company's products have not experienced significant competition from imports. The Company believes that its ability to implement future price increases for its products may be limited by current or future overcapacity in the domestic textile industry.

## GOVERNMENT REGULATION; ENVIRONMENTAL CONTROL

The Company is subject to various federal, state and local environmental laws and regulations which regulate, among other things, the discharge, storage, handling and disposal of a variety of substances and wastes. The Company's operations are also governed by laws and regulations relating to employee safety and health, principally the Occupational Safety and Health Administration Act and regulations thereunder.

The Company believes that it currently complies in all material respects with applicable environmental, health and safety laws and regulations. Although the Company believes that future compliance with such existing laws or regulations will not have a material adverse effect on its capital expenditures, earnings or competitive position, there can be no assurances that such requirements will not become more stringent in the future or that the Company will not incur significant costs in the future to comply with such requirements.

## EMPLOYEES

At June 15, 1998, the Company had 2,559 employees. None of the Company's employees is represented by a labor union, and the Company considers its relationship with its employees to be good. The Company attracts and maintains qualified personnel by paying competitive salaries and benefits and offering opportunities for advancement.

## INTERNATIONAL SALES

Sales to customers in foreign countries are not currently material to the Company's business. The Company believes, however, its presence in foreign countries will increase in the future as a result of, among other factors, the passage of NAFTA, its acquisition of a business located in Mexico, and its sales efforts in Europe, Japan and Australia.

ITEM 2. PROPERTIES

The Company's headquarters are located in executive offices in Atlanta, Georgia. A showroom is also located in these offices. The Company occupies approximately 41,200 square feet at this location under leases that expire June 29, 2002 and September 30, 2000.

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

<TABLE>  
<CAPTION>

LOCATION	USE	APPROXIMATE OWNED/ SQUARE FEET	LEASED
Berea, Kentucky.....	Offices, manufacturing, warehouse, and distribution facilities and retail store	38,000	Owned
Calhoun, Georgia.....	Two buildings, housing offices, manufacturing facilities, sample department, print shop and factory outlet store	267,000	Owned
Calhoun, Georgia.....	Warehouse and distribution center	233,000	Owned
Chatsworth, Georgia.....	Manufacturing facility, warehouse and distribution center	115,000	Owned
Compton, California.....	Offices, warehouse and distribution center	157,400	Leased(1)
Dalton, Georgia.....	Two buildings housing manufacturing facilities	161,000	Owned
Ronda, North Carolina...	Two buildings, housing offices, manufacturing facility and warehouse	62,800	Owned
Atlanta, Georgia.....	Executive offices and showroom	41,200	Leased(2)
Roxboro, North Carolina.....	Three buildings, housing manufacturing facilities, warehouse and distribution centers, administrative offices and factory outlet store	424,000	Owned
Roxboro, North Carolina.....	Seven buildings, housing manufacturing facilities, warehouses and distribution facilities	453,000	Leased(3)
Blowing Rock, North Carolina.....	Three buildings, housing administrative and sales offices, and factory outlet store	21,000	Owned
New York, New York.....	Sales and design offices and show-room	41,600	Leased(4)
Rancho Santa Margarita, California.....	Offices, warehouse, and distribution center	51,900	Leased(5)
Prairieville, Louisiana.....	Offices, warehouse, and distribution center	33,000	Leased(6)
Houston, Texas.....	Offices, warehouse, and distribution center	32,900	Leased(7)
Aguascalientes, Mexico.....	Offices, warehouse, and distribution center	86,000	Leased(8)

- (1) Lease expires May 31, 2001 (renewable for one two-year period and one three-year period).  
 (2) Leases expire June 29, 2002 and September 30, 2000.

- (3) Leases expire as follows: (a) 75,000 square feet on February 28, 2005; (b) 50,000 square feet on September 30, 1998 (renewable for one five-year period); (c) a lease for 223,000 square feet expired on April 30, 1998 and is currently a month to month lease; and (d) two month to month leases of 105,000 square feet.  
 (4) Lease expires April 30, 2007 (renewable for up to two additional five-year periods).  
 (5) Lease expires July 31, 2001.  
 (6) Leases expire March 30, 2000.  
 (7) Leases expire March 31, 2001 and November 30, 1998.  
 (8) Leases expire January 31, 2000 (renewable for one two year period).

The Company also leases space for it's various sales offices and outlet stores.

Management believes that its properties are suitable for the purposes for which they are used, are in generally good condition and provide adequate production capacity for current and anticipated future operations. The Company's

business is somewhat seasonal so that during the late summer and fall months these facilities are fully utilized, while at other times of the year the Company has excess capacity.

### ITEM 3. LEGAL PROCEEDINGS

The Company, one of its subsidiaries, and Calvin Klein, Inc. are defendants in a lawsuit filed on June 8, 1998 by Decorative Home Accents, Inc. and related companies (hereinafter "DHA"). Because DHA is under the protection of the Bankruptcy Court in the Southern District of New York, the suit was brought as an adversary proceeding in that court. DHA complains that the grant by Calvin Klein, Inc. of a license for soft home products to the Company's subsidiary, instead of renewing DHA's license, which expired on April 30, 1998, was wrongful on various legal theories. DHA seeks to have the new license to the Company's subsidiary declared invalid, and to have the old license restored to DHA, and seeks actual and punitive damages. On June 12, 1998, the Bankruptcy Court denied DHA's motion for a temporary restraining order and indicated its intention not to grant a preliminary injunction based, inter alia, on a finding that DHA had not established the requisite probability of success on the merits. The Company believes that it is entitled to retain and operate under the Calvin Klein license and that its conduct in competing for and obtaining the license was lawful. The Company intends to defend the suit vigorously and expects to prevail on the merits. The suit was filed in the midst of negotiations among DHA, the Company, and Calvin Klein, Inc. for the Company to acquire from DHA its inventory and other assets used in the licensed business after the defendants refused a further extension of a standstill agreement that had been in effect since April 30, 1998. The acquisition negotiations are continuing.

In the Company's pending arbitration with Kitan Textile Industries Ltd. of Israel, the Company's supplier of the Royal Sateen(R) bedding line, all claims and counterclaims for monetary damages have been settled on terms not involving any cash payments. Both companies have agreed to spend additional money in developing the U.S. market for the Royal Sateen(R) brand of bedding. The arbitration remains pending for interpretation of certain contract terms.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the year ended March 29, 1998.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company is authorized by its Articles of Incorporation to issue up to 50,000,000 shares of capital stock, all of which are designated Common Stock, par value \$1.00 per share.

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### COMMON STOCK

The Company's common stock (the "Common Stock") is traded on the New York Stock Exchange ("NYSE") under the symbol "CRW". The following table presents quarterly information on the price range of the Company's Common Stock for the fiscal years ended March 29, 1998 and March 30, 1997. This information indicates the high and low sale prices as reported by the NYSE.

<TABLE>

<CAPTION>

QUARTER	HIGH	LOW
- - - - -	----	---
<S>	<C>	<C>
FISCAL 1998		
First Quarter.....	\$12 1/8	\$10 1/4
Second Quarter.....	14 15/16	10 3/16
Third Quarter.....	17 5/16	13 3/4
Fourth Quarter.....	22 1/16	14 7/16
FISCAL 1997		
First Quarter.....	\$11 5/8	\$ 9
Second Quarter.....	10 1/8	7 3/4
Third Quarter.....	10	8 3/8

&lt;/TABLE&gt;

As of June 15, 1998 there were issued and outstanding 8,599,967 shares of the Company's Common Stock held by approximately 1,425 beneficial holders. The estimated number of beneficial holders does not reflect the approximately 1,925 individual employee accounts in the Company's Employee Stock Ownership Plan. At June 15, 1998, the Company's Common Stock closed at \$14 7/16.

In fiscal 1998, the Company continued its policy, begun in February 1989, of paying dividends on a quarterly basis. The Company paid a dividend of \$0.03 per share on its Common Stock on June 4, 1997, September 23, 1997, December 23, 1997 and March 24, 1998. Dividends paid by the Company on its Common Stock in the future will depend upon the earnings and financial condition of the Company. The Company presently anticipates paying dividends for the foreseeable future.

#### ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below are derived from the Company's financial statements for the five years ended March 29, 1998. The data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this Annual Report.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	YEAR ENDED				
	MARCH 29, 1998	MARCH 30, 1997	MARCH 31, 1996	APRIL 2, 1995	APRIL 3, 1994*
	-----				
	(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS.)				
	<C>	<C>	<C>	<C>	<C>
FOR THE YEAR					
Net sales.....	\$319,238	\$256,385	\$219,002	\$210,963	\$187,335
Gross profit.....	71,089	51,737	42,452	46,731	37,998
Earnings from operations.....	18,993	11,641	10,625	18,878	15,374
Net earnings.....	7,806	3,631	3,947	11,050	9,010
Basic earnings per share.....	0.97	0.46	0.49	1.31	1.08
Diluted earnings per share.....	0.92	0.45	0.48	1.29	1.06
Cash dividends per share.....	0.12	0.12	0.12	0.12	0.12
AT YEAR END					
Total assets.....	\$241,666	\$189,556	\$185,698	\$134,031	\$123,348
Long-term debt.....	50,100	71,200	69,300	5,000	10,000
Shareholders' equity.....	97,323	85,695	83,017	87,000	75,385

&lt;/TABLE&gt;

\* Fiscal 1994 contained 53 weeks of operations

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### ACQUISITIONS AND DISPOSITIONS

During the fiscal year ended March 29, 1998, the Company acquired four companies, Hamco, Inc., Pinky Baby Products, Noel Joanna, Inc. and Burgundy Interamericana, S.A. de C.V. Hamco and Pinky design, manufacture, market and distribute bibs and other infant soft goods. Noel Joanna designs, markets and distributes infant bedding and accessories. Burgundy, located in Aguascalientes, Mexico, is a contract manufacturer of consumer textile products. Post-acquisition, Burgundy's production capacity is expected to be utilized exclusively for the manufacture of the Company's products. The effect of these acquisitions on fiscal 1998 operating results is discussed below in the section "Results of Operations: Fiscal 1998 Compared to Fiscal 1997."

During the fiscal year ended March 30, 1997, Hans Benjamin Furniture, Inc., a 51-percent owned subsidiary of the Company, announced a nationwide voluntary recall of all furniture products it manufactured following a determination that many of its products had been mislabeled. Subsequent to the recall, the Company



decided to terminate the operations of Hans Benjamin and to dispose of Benn Corporation, a wholly-owned subsidiary engaged in the manufacture of textile machinery.

During fiscal 1997, the Company recorded an after-tax loss of approximately \$1.3 million for costs associated with the product recall and the disposition of the two subsidiaries. The recorded loss includes a settlement reached with the Office of the District Attorney in Sacramento, California, related to mislabeled product shipped into that state. The loss is reflected in the Consolidated Statement of Earnings for fiscal 1997 as follows:

<TABLE>

<S>	<C>
Reduction in net sales.....	\$ 407,000
Increase in cost of products sold.....	894,000
Increase in marketing and administrative expenses.....	213,000
Increase in other expenses -- net.....	74,000
	-----
Reduction in earnings before income taxes.....	1,588,000
Reduction in provisions for income taxes.....	325,000
	-----
Reduction in net earnings.....	\$1,263,000
	=====

</TABLE>

Hans Benjamin was liquidated on March 27, 1997. Benn Corporation was sold during the fourth quarter of fiscal 1998, resulting in a reduction of costs and expenses of \$335,000, net of related taxes.

During the fiscal year ended March 31, 1996, the Company acquired four companies, The Red Calliope and Associates, Inc., KKH Corporation, Churchill Weavers, Inc. and Textile, Inc. Red Calliope designs, markets and distributes infant bedding and accessories. KKH designs, markets and distributes animal-shaped pillows for the juvenile market. Churchill designs, manufactures, markets and distributes hand-woven throws and other luxury woven textile products. The effect of owning these three companies throughout fiscal 1997 and for only a portion of fiscal 1996 is discussed below in the section "Results of Operations: Fiscal 1997 Compared to Fiscal 1996." Textile, Inc., a contract manufacturer of jacquard-woven products, was acquired on the first day of fiscal 1996 to supplement internal production capacity.

#### ERP SOFTWARE

From October through December 1997, the Company conducted an assessment of its computer applications and systems in order to determine whether existing systems were sufficient to meet the Company's future business information needs. As a result, the Company decided to install new Enterprise Resource Planning (ERP) software programs. The ERP programs are expected to replace substantially all of the Company's existing applications software and to result in significant improvements in the functionality and efficiency of the Company's business processes.

From January through March 1998, the Company developed a more detailed assessment of its current business processes and systems, identified potentially appropriate software packages, prepared requests for

proposals, interviewed software vendors and evaluated alternatives. All costs and expenses associated with this process were expensed as incurred.

In April 1998, the Company selected its ERP vendor and began to develop implementation schedules. The Company presently estimates that the ERP systems will be implemented at the parent company over a period of eighteen months at a total cost of \$14.3 million, of which \$12.0 million is expected to be capitalized. Of the total amount, \$10.9 million is expected to be expended in the fiscal year ended March 28, 1999, and \$3.4 million is expected to be expended in the fiscal year ended April 2, 2000. Following such implementation, the Company expects to develop budgets for extending the new systems to its operating subsidiaries.

In the latter portion of the 1990s, an issue affecting most companies has emerged regarding the ability of computer applications and systems to properly interpret dates later than December 31, 1999. This issue arises because, until recently, many computer applications were written using only the two rightmost digits to define the applicable year. Accordingly, when the need arises to enter a date after December 31, 1999, it is unclear how any particular application will interpret the digits 00. Unless corrective measures are taken, applications that are not Year 2000 compliant may create erroneous results or, in the worst case, fail to operate.

Prior to its decision to install new ERP software, the Company had begun investigating the impact of the Year 2000 on its operations. The ERP vendor has advised the Company that the software selected for implementation is Year 2000 compliant. Because the Company expects to complete its conversion to the new software at the parent company before any Year 2000 issues arise, the Company has greatly reduced the effort needed to correct existing programs.

The Company intends to review the progress of its ERP conversion project in September 1998 to determine whether it should begin to execute a contingency plan under which certain of the programs currently in use will be assessed and, if necessary, upgraded to become Year 2000 compliant. Both internal and external resources will be utilized to make any such assessment, to make necessary modifications and to test the results.

In addition, the Company has begun communicating with others with whom it does business to determine their Year 2000 compliance readiness and the extent to which the Company is vulnerable to any third-party Year 2000 issues. All costs associated with Year 2000 compliance activities have been expensed as incurred. The total cost to the Company of these Year 2000 compliance activities has not been and is not expected to be material to its financial position or results of operations in any given year.

#### RESULTS OF OPERATIONS: FISCAL 1998 COMPARED TO FISCAL 1997

Net sales for fiscal 1998 increased \$62.9 million, or 24.5%, to \$319.2 million. Net sales of bedroom products increased \$12.5 million to \$128.0 million, net sales of throws and decorative home accessories increased \$6.5 million to \$94.2 million, and net sales of infant and juvenile products increased \$43.3 million to \$94.3 million. The four companies acquired during fiscal 1998 accounted for \$25.4 million of the sales increase, all in the infant and juvenile products group.

The increase in sales of bedroom products was primarily attributable to increased sales of imported sheets. The increase in sales of throws and decorative home accessories was primarily attributable to increased sales of imported fleece throws.

Cost of sales declined to 77.7% of sales in fiscal 1998 from 79.8% in fiscal 1997, primarily due to increased sales of higher-margin products. Gross margin increased to 22.3% in fiscal 1998 from 20.2% in fiscal 1997. The unusual charges related to Hans Benjamin and Benn Corporation referred to above increased the ratio of cost of sales to sales and reduced the gross margin by 0.5 percentage points in fiscal 1997.

Marketing and administrative expenses increased by \$12.0 million, or 29.9%, for fiscal 1998. Of this increase, \$4.9 million is attributable to the companies acquired during fiscal 1998. The balance of the increase is primarily due to increases in personnel costs, legal expenses and other professional fees.

Interest expense increased by \$1.7 million in fiscal 1998. Approximately \$1.2 million of this increase is the result of debt incurred or assumed in acquisition transactions.

The effective income tax rate declined to 37.6% in fiscal 1998 from 47.4% in fiscal 1997 due to lower effective state income tax rates in the current year as a result of various state employment and investment tax credits earned. The fiscal 1997 effective tax rate was unusually high due to nondeductible expenses associated with the Hans Benjamin and Benn Corporation charges referred to above.

#### RESULTS OF OPERATIONS: FISCAL 1997 COMPARED TO FISCAL 1996

Net sales for fiscal 1997 increased \$37.4 million, or 17.1%, to \$256.4 million. The increase was largely attributable to incremental net sales of \$34.6 million from businesses acquired in fiscal 1996. Net sales of bedroom products declined \$6.8 million to \$115.5 million, net sales of throws and decorative home accessories increased \$7.0 million to \$87.8 million, and net sales of infant and juvenile products increased \$37.2 million to \$51.0 million.

Cost of sales declined to 79.8% in fiscal 1997 from 80.6% in fiscal 1996, primarily due to increased sales of higher-margin products. Gross margin increased to 20.2% in fiscal 1997 from 19.4% in fiscal 1996. Fiscal 1997 gross margin would have been 20.7% absent the unusual charges related to Hans Benjamin and Benn Corporation referred to above.

Marketing and administrative expenses increased by \$8.3 million, or 26.0%, in fiscal 1997. Incremental marketing and administrative expenses of companies acquired in fiscal 1996 accounted for \$4.5 million of the increase. The remainder of the increase was due to increases in promotional expenses, sales personnel costs, legal and other professional fees, and bad debts expense.

Interest costs increased to \$4.9 million in 1997 from \$4.2 million (including capitalized interest of \$402,000) in 1996. The increase in interest expense was primarily the result of higher levels of debt outstanding during the first and second quarters of the fiscal year. The higher debt levels were primarily the result of significant investment spending in 1996 including capital expenditures of \$23.7 million, acquisitions of \$20.5 million, and treasury stock purchases of \$7.5 million.

The fiscal 1997 effective income tax rate increased to 47.4% from 39.6% in fiscal 1996 due to non-deductible losses recorded in conjunction with the Hans Benjamin and Benn Corporation costs discussed above.

#### FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

During fiscal 1998, the Company expended \$19.6 million on acquisitions, net of cash acquired, and another \$8.3 million on capital additions. The cash necessary for these expenditures and for operating needs was provided primarily by increases in notes payable of \$20.3 million and increases in borrowings under revolving credit agreements of \$9.0 million. The Company maintains unsecured committed revolving credit facilities totaling \$30 million with two banks at interest rates which vary based upon the London Interbank Offered Rate (LIBOR). At March 29, 1998, the maximum amount was outstanding under these committed facilities. The facilities are scheduled to expire on August 25, 1998. The Company expects to negotiate new revolving credit facilities to provide greater borrowing capacity prior to such expiration. In addition to its committed revolving credit lines, the Company currently has uncommitted lines of credit totaling \$50 million with two commercial banks at floating interest rates. Borrowings of \$24.9 million were outstanding under these lines at March 29, 1998.

The Company expects that its total expenditures for property, plant and equipment will exceed \$20 million in fiscal 1999, with about half of this amount resulting from the ERP project referred to above. The Company may also make additional strategic acquisitions. The Company does not believe that cash provided by operations and by its committed and uncommitted bank facilities will be sufficient to cover these needs. The Company anticipates that, in addition to increasing its borrowing capacity under revolving credit agreements, it will also obtain additional long-term debt financing to meet its anticipated requirements for cash.

To reduce its exposure to credit losses and to enhance its cash flow forecasts, the Company factors the majority of its trade accounts receivable. The Company's factor establishes customer credit lines, and accounts for and collects receivable balances. The factor remits payment to the Company on the due dates of the factored invoices. The Company does not take advances against its factored receivable balances. The factor assumes all responsibility for credit losses on sales within approved credit lines, but may deduct from its remittances to the Company the amounts of customer deductions for returns, allowances, disputes and discounts. The Company's factor at any time may terminate or limit its approval of shipments to a particular customer. If such a termination occurs, the Company may either assume the credit risks for shipments after the date of such termination or cease shipments to such customer.

During fiscal 1996, the Company's Board of Directors authorized the purchase of up to 1,000,000 shares of outstanding common stock. During 1996, the Company purchased a total of 636,200 shares of its stock for a total of \$7.5 million. No shares were purchased in fiscal 1997 or in fiscal 1998, and no decision has been made as to whether the Company will acquire the remaining 363,800 shares covered under this authorization.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In 1997, FASB issued Statement No. 130, "Reporting Comprehensive Income," and Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." These statements, which are effective for periods beginning after December 15, 1997, expand or modify disclosures and, accordingly, will have no impact on the Company's reported financial position, results of operations, or cash flows.

#### FORWARD-LOOKING INFORMATION

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

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See pages F-1 through F-14 herein.

#### ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information with respect to the Company's directors is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on August 25, 1998 (the "Proxy Statement") under the

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caption "Election of Directors" and is incorporated herein by reference. The Information with respect to the Company's executive officers is set forth in the Proxy Statement under the caption "Executive Officers" and is incorporated herein by reference. The information with respect to Item 405 of Registration S-K is set forth in the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

#### ITEM 11. EXECUTIVE COMPENSATION

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

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Voting Rights and Principle Shareholders" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES, AND REPORTS ON FORM 8-K

(A)1. FINANCIAL STATEMENTS

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

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Independent Auditors' Report.....	F-2
Consolidated Balance Sheets as of March 29, 1998 and March 30, 1997.....	F-3
Consolidated Statements of Earnings for the Three Fiscal Years in the Period Ended March 29, 1998.....	F-4
Consolidated Statements of Changes in Shareholders' Equity for the Three Fiscal Years in the Period Ended March 29, 1998.....	F-5
Consolidated Statements of Cash Flows for the Three Fiscal Years in the Period Ended March 29, 1998.....	F-6
Notes to Consolidated Financial Statements.....	F-7
</TABLE>	

(A)2. FINANCIAL STATEMENT SCHEDULES

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

<TABLE>	
<S>	<C>
Schedule VIII -- Valuation and Qualifying Accounts.....	Page 13
</TABLE>	

All other schedules not listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

CROWN CRAFTS, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

SCHEDULE VIII

<TABLE>	
<CAPTION>	
	VALUATION AND QUALIFYING ACCOUNTS
	-----
COLUMN A	COLUMN B    COLUMN C    COLUMN D    COLUMN E
-----	-----
	ADDITIONS
	BALANCE AT CHARGED TO                      BALANCE AT
	BEGINNING COSTS AND                      END OF
	OF PERIOD EXPENSES DEDUCTIONS* PERIOD
	-----
	(IN THOUSANDS)
<S>	<C>    <C>    <C>    <C>
Accounts Receivable Valuation Accounts:	
Year Ended March 31, 1996.....	\$ 30    \$ 67    \$ 18    \$ 79

Reserve for doubtful accounts.....	723	453		1,176
Reserve for customer deductions.....				
Year Ended March 30, 1997				
Reserve for doubtful accounts.....	\$ 79	\$1,123	\$ (18)	\$1,220
Reserve for customer deductions.....	1,176	169		1,345
Year Ended March 29, 1998				
Reserve for doubtful accounts.....	\$1,220	\$ 951	\$1,472	\$ 699
Reserve for customer deductions.....	1,345	357		1,702

</TABLE>

\* Deductions from the reserve for doubtful accounts represent the amount of accounts written off reduced by any subsequent recoveries.

(A)3. EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

The following Executive Compensation Plans and Arrangements are filed with this Form 10-K or have been previously filed as indicated below:

1. Crown Crafts, Inc. 1976 Non-Qualified Stock Option Plan.  
(6)(Exhibit 10(b)(i))
2. Philip Bernstein Death Benefits Agreement dated March 30, 1992 (5)  
(Exhibit 10(b)(ii))
3. Description of Crown Crafts, Inc. Executive Incentive Bonus Plan  
(5) (Exhibit 10(b)(iii))
4. Crown Crafts, Inc. 1995 Stock Option Plan (1) (Exhibit 10(b)(iv))
5. Form of Nonstatutory Stock Option Agreement (pursuant to 1995 Stock  
Option Plan) (1) (Exhibit 10(b)(v))
6. Form of Nonstatutory Stock Option Agreement for Nonemployee  
Directors (pursuant to 1995 Stock Option Plan) (1)  
(Exhibit 10(b)(vi))

(A)5. EXHIBITS

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

<TABLE>  
<CAPTION>  
EXHIBIT

NUMBER	DESCRIPTION OF EXHIBITS
<C>	<C> <S>
2(a)	-- Merger Agreement dated as of October 8, 1995 between and among Registrant and CC Acquisition Corp, and Neal Fohrman and Stanley Glickman and The Red Calliope and Associates, Inc.(7)
3(a)	-- Restated Articles of Incorporation of Registrant.(1)
3(b)	-- Bylaws of Registrant.(1)
4(a)	-- Instruments defining the rights of security holders are contained in the Restated Articles of Incorporation of Registrant, and Article I of the Restated Bylaws of Registrant.(1)
4(b)	-- Form of Rights Agreement dated as of August 11, 1995 between the Registrant and Trust Company Bank, including Form of Right Certificate and Summary of Rights to Purchase Common Shares.(2)
10(a)(i)	-- 9.22% Note Agreement with The Prudential Insurance Company of America.(3)
10(a)(ii)	-- Letter Agreement with The Prudential Insurance Company of America dated July 23, 1991.(4)
10(a)(iii)	-- Letter Agreement with The Prudential Insurance Company of America dated April 9, 1992.(4)

- 10(a)(iv) -- Letter Agreement with The Prudential Insurance Company of America dated May 21, 1993.(5)
- 10(a)(v) -- Letter Agreement with The Prudential Insurance Company of America dated July 14, 1994.(8)
- 10(a)(vi) -- Letter Agreement with The Prudential Insurance Company of America dated July 29, 1994(8)
- 10(a)(vii) -- Letter Agreement with The Prudential Insurance Company of America dated March 31, 1995.(8)
- 10(a)(viii) -- Letter Agreement with The Prudential Insurance Company of America dated October 12, 1995.(1)

</TABLE>

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<TABLE>

<CAPTION>

EXHIBIT

NUMBER

DESCRIPTION OF EXHIBITS

- | -----       | -----   |
|-------------|---|
| <C>         | <C> <S>   |
| 10(b)(i)    | -- Crown Crafts, Inc. Non-Qualified Stock Option Plan.(6)   |
| 10(b)(ii)   | -- Philip Bernstein Death Benefits Agreement dated March 30, 1992.(5)   |
| 10(b)(iii)  | -- Description of Crown Crafts, Inc. Executive Incentive Bonus Plan.(5)   |
| 10(b)(iv)   | -- Crown Crafts, Inc. 1995 Stock Option Plan.(1)  |
| 10(b)(v)    | -- Form of Nonstatutory Stock Option Agreement (pursuant to 1995 Stock Option Plan).(1)   |
| 10(b)(vi)   | -- Form of Nonstatutory Stock Option Agreement for Nonemployee Directors (pursuant to 1995 Stock Option Plan).(1)                                     |
| 10(c)(i)    | -- Revolving Credit Agreement dated August 25, 1995 with NationsBank, National Association (Carolinas).(1)  |
| 10(c)(ii)   | -- Amendment No. 1 to Revolving Credit Agreement dated May 1, 1996 with NationsBank, National Association (Carolinas).(9)                             |
| 10(c)(iii)  | -- Amendment No. 2 to Revolving Credit Agreement dated June 28, 1996 with Nationsbank, National Association (Carolinas).(10)                          |
| 10(c)(iv)   | -- Letter Agreement with Nationsbank, N.A. dated December 23, 1996.(10)   |
| 10(c)(v)    | -- Letter Agreement with Nationsbank, N.A. dated January 23, 1997.(10)  |
| 10(c)(vi)   | -- Letter Agreement with Nationsbank, N.A. dated May 22, 1997.(10)  |
| 10(c)(vii)  | -- Letter Agreement with Nationsbank, N.A. dated November 6, 1997.  |
| 10(c)(viii) | -- Letter Agreement with Nationsbank, N.A. dated January 14, 1998.  |
| 10(d)(i)    | -- Revolving Credit Agreement dated August 25, 1995 with Wachovia Bank of Georgia, N.A.(1)  |
| 10(d)(ii)   | -- Amendment No. 1 to Revolving Credit Agreement dated May 1, 1996 with Wachovia Bank of Georgia, N.A.(9)   |
| 10(d)(iii)  | -- Amendment No. 2 to Revolving Credit Agreement dated June 28, 1996 with Wachovia Bank of Georgia, N.A.(10)  |
| 10(d)(iv)   | -- Letter Agreement with Wachovia Bank of Georgia, N.A. dated December 24, 1996.(10)  |
| 10(d)(v)    | -- Letter Agreement with Wachovia Bank of Georgia, N.A. dated January 22, 1997.(10)   |
| 10(d)(vi)   | -- Letter Agreement with Wachovia Bank of Georgia, N.A. dated May 22, 1997.(10)   |
| 10(d)(vii)  | -- Letter Agreement with Wachovia Bank of Georgia, N.A. dated November 7, 1997.   |
| 10(d)(viii) | -- Letter Agreement with Wachovia Bank of Georgia, N.A. dated January 22, 1998.   |
| 10(e)(i)    | -- Note Purchase and Private Shelf Facility dated October 12, 1995 with The Prudential Insurance Company of America.(1)                               |
| 10(e)(ii)   | -- Letter Agreement dated April 4, 1996 with The Prudential Insurance Company of America.(9)  |
| 10(f)       | -- Lease Agreement dated June 28, 1996 between 1185 Avenue of the Americas Associates as Lessor and Crown Crafts Home Furnishings, Inc. as Lessee.(9) |
| 10(g)       | -- License Agreement dated January 1, 1998 between Disney Enterprises, Inc. as Licensor and Crown Crafts, Inc. as Licensee                            |
| 10(h)       | -- License Agreement dated May 11, 1998 between Calvin Klein,   |

Inc. as Licensor, and Crown Crafts Designer, Inc. as  
Licensee a wholly-owned subsidiary of Crown Crafts, Inc. as  
Guarantor.

21 -- Subsidiaries of the Registrant

</TABLE>

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<TABLE>

<CAPTION>

EXHIBIT

NUMBER

DESCRIPTION OF EXHIBITS

<C>	<C>	<S>
23	--	Consent of Deloitte & Touche LLP
27.1	--	Financial Data Schedule (for SEC use only)
27.2	--	Restated Financial Data Schedule, March 30, 1997 (for SEC use only)
27.3	--	Restated Financial Data Schedule, March 31, 1996 (for SEC use only)
27.4	--	Restated Financial Data Schedule, June 30, 1996 (for SEC use only)
27.5	--	Restated Financial Data Schedule, September 29, 1996 (for SEC use only)
27.6	--	Restated Financial Data Schedule, December 29, 1996 (for SEC use only)
27.7	--	Restated Financial Data Schedule, June 29, 1997 (for SEC use only)
27.8	--	Restated Financial Data Schedule, September 28, 1997 (for SEC use only)

There were no reports on Form 8-K during the quarter ended March 29, 1998.

</TABLE>

- 
- (1) Incorporated herein by reference to exhibit of same number to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 1, 1995.
  - (2) Incorporated herein by reference to exhibit of same number to Registrant's Report on Current Form 8-K dated August 22, 1995.
  - (3) Incorporated herein by reference to exhibit of same number to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1991.
  - (4) Incorporated herein by reference to exhibit of same number to Registrant's Annual Report on Form 10-K for the fiscal year ended March 29, 1992.
  - (5) Incorporated herein by reference to exhibit of same number to Registrant's Annual Report on Form 10-K for the fiscal year ended March 28, 1993.
  - (6) Incorporated herein by reference to exhibit of same number to Registrant's Registration Statement on Form S-8, filed April 8, 1994. (Reg. No. 33-77558).
  - (7) Incorporated herein by reference to exhibit of same number to Registrants Report on Current Form 8-K dated November 13, 1995.
  - (8) Incorporated herein by reference to exhibit of same number to Registrant's Annual Report on Form 10-K for the fiscal year ended April 2, 1995.
  - (9) Incorporated herein by reference to exhibit of the same number to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1996.
  - (10) Incorporated herein by reference to exhibit of the same number to Registrant's Annual Report on Form 10-K for the fiscal year ended March 30, 1997.

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROWN CRAFTS, INC.

By: /s/ MICHAEL H. BERNSTEIN

-----  
Michael H. Bernstein  
President and Chief Executive



Officer

Date: July 13, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<TABLE>

<CAPTION>

SIGNATURES	TITLE	DATE
-----	-----	----
<C>	<S>	<C>
/s/ MICHAEL H. BERNSTEIN ----- Michael H. Bernstein	President and Chief Executive Officer, Director	July 13, 1998
/s/ PHILIP BERNSTEIN ----- Philip Bernstein	Chairman of the Board	July 13, 1998
/s/ E. RANDALL CHESTNUT ----- E. Randall Chestnut	Director	July 13, 1998
/s/ ROGER D. CHITTUM ----- Roger D. Chittum	Director	July 13, 1998
/s/ PAUL A. CRISCILLIS, JR. ----- Paul A. Criscillis, Jr.	Director and Chief Financial Officer	July 13, 1998
/s/ MARVIN A. DAVIS ----- Marvin A. Davis	Director	July 13, 1998
/s/ RUDOLPH J. SCHMATZ ----- Rudolph J. Schmatz	Director	July 13, 1998
/s/ JANE E. SHIVERS ----- Jane E. Shivers	Director	July 13, 1998
/s/ ALFRED M. SWIREN ----- Alfred M. Swiren	Director	July 13, 1998
/s/ RICHARD N. TOUB ----- Richard N. Toub	Director	July 13, 1998
/s/ ROBERT E. SCHNELLE ----- Robert E. Schnelle	Chief Accounting Officer, Treasurer	July 13, 1998

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Consolidated Statements of Changes in Shareholders' Equity for the Three Fiscal Years in the Period Ended March 29, 1998.....	F-5
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Notes to Consolidated Financial Statements.....	F-7
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Note # 2 -- ACQUISITIONS	
Note # 3 -- DISCONTINUANCE OF CERTAIN BUSINESSES	
Note # 4 -- INVENTORIES	
Note # 5 -- FINANCING ARRANGEMENTS	
Note # 6 -- INCOME TAXES	
Note # 7 -- RETIREMENT PLANS	
Note # 8 -- STOCK OPTIONS	
Note # 9 -- EARNINGS PER SHARE	
Note #10 -- MAJOR CUSTOMERS	
Note #11 -- COMMITMENTS AND CONTINGENCIES	
Supplemental Financial Information:	
Selected Quarterly Financial Information (unaudited).....	F-14

</TABLE>

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
of Crown Crafts, Inc.:

We have audited the accompanying consolidated balance sheets of Crown Crafts, Inc. and subsidiaries as of March 29, 1998 and March 30, 1997, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended March 29, 1998. Our audits also included the financial statement schedule listed at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based upon 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Crown Crafts, Inc. and subsidiaries as of March 29, 1998 and March 30, 1997, and the results of their operations and their cash flow for each of the three years in the period ended March 29, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Atlanta, Georgia  
May 29, 1998

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## CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
MARCH 29, 1998 AND MARCH 30, 1997

<TABLE>  
<CAPTION>

1998      1997  
 -----  
 (DOLLAR AMOUNTS IN  
 THOUSANDS, EXCEPT  
 PAR VALUE PER SHARE)

<S>

<C>    <C>

ASSETS

CURRENT ASSETS:

Cash.....	\$ 809	\$ 602
Accounts receivable (less allowances of \$3,407 in 1998 and \$3,502 in 1997):		
Due from factor.....	32,234	30,866
Other.....	16,192	7,496
Inventories.....	82,432	56,860
Deferred income taxes.....	1,943	2,392
Other current assets.....	4,938	3,307
	-----	-----
Total current assets.....	138,548	101,523

PROPERTY, PLANT AND EQUIPMENT -- at cost:

Land, buildings and improvements.....	45,496	44,903
Machinery and equipment.....	76,053	68,435
Furniture and fixtures.....	1,774	1,487
	-----	-----
	123,323	114,825
Less accumulated depreciation.....	51,361	41,809
	-----	-----
Property, plant and equipment -- net.....	71,962	73,016

OTHER ASSETS:

Goodwill.....	28,747	13,192
Other.....	2,409	1,825
	-----	-----
Total other assets.....	31,156	15,017
	-----	-----
Total Assets.....	\$241,666	\$189,556
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable.....	\$ 24,850	
Accounts payable.....	20,831	\$ 13,212
Income taxes payable.....	86	1,336
Accrued wages and benefits.....	5,091	4,312
Accrued royalties.....	1,758	1,369
Other accrued liabilities.....	2,930	3,429
Current maturities of long-term debt.....	30,100	100
	-----	-----
Total current liabilities.....	85,646	23,758

NON-CURRENT LIABILITIES:

Long-term debt.....	50,100	71,200
Deferred income taxes.....	7,852	7,877
Other.....	745	1,026
	-----	-----
Total non-current liabilities.....	58,697	80,103

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock -- par value \$1.00 per share; 50,000,000 shares authorized.....	9,654	9,051
Additional paid-in capital.....	41,800	34,438
Retained earnings.....	63,838	57,005
Common stock held in treasury -- at cost.....	(17,969)	(14,799)
	-----	-----
Total shareholders' equity.....	97,323	85,695
	-----	-----
Total Liabilities and Shareholders' Equity.....	\$241,666	\$189,556
	=====	=====

</TABLE>

See notes to consolidated financial statements.

## CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS  
FISCAL YEARS ENDED MARCH 29, 1998, MARCH 30, 1997 AND MARCH 31, 1996

<TABLE>  
<CAPTION>

	1998	1997	1996	
	-----	-----	-----	
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	
Net Sales.....	\$319,238	\$256,385	\$219,002	
Cost of products sold.....	248,149	204,648	176,550	
	-----	-----	-----	
Gross profit.....	71,089	51,737	42,452	
Marketing and administrative expenses.....	52,096	40,096	31,827	
	-----	-----	-----	
Earnings from operations.....	18,993	11,641	10,625	
Other income (expense):				
Interest expense.....	(6,562)	(4,887)	(3,807)	
Cotton futures transactions.....			(847)	
Other -- net.....	84	151	568	
	-----	-----	-----	
Earnings before income taxes.....	12,515	6,905	6,539	
Provisions for income taxes.....	4,709	3,274	2,592	
	-----	-----	-----	
Net earnings.....	\$ 7,806	\$ 3,631	\$ 3,947	
	=====	=====	=====	
Basic earnings per share.....	\$ 0.97	\$ 0.46	\$ 0.49	
	=====	=====	=====	
Diluted earnings per share.....	\$ 0.92	\$ 0.45	\$ 0.48	
	=====	=====	=====	
Average shares outstanding -- basic.....	8,065	7,944	8,125	
	=====	=====	=====	
Average shares outstanding -- diluted.....	8,495	8,018	8,156	
	=====	=====	=====	

</TABLE>

See notes to consolidated financial statements.

## CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FISCAL YEARS ENDED MARCH 29, 1998, MARCH 30, 1997 AND MARCH 31, 1996

<TABLE>  
<CAPTION>

	TREASURY STOCK					
	ADDITIONAL	-----				
	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	NUMBER OF SHARES	COST	
	-----	-----	-----	-----	-----	
	(DOLLAR AMOUNTS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	
BALANCES -- APRIL 2, 1995.....	\$9,004	\$33,811	\$51,352	464,188	\$ 7,167	
Net earnings.....		3,947				
Cash dividends (\$0.12 per share).....			(972)			
Exercises of stock options.....	47	557				
Treasury stock acquired in conjunction with exercises of stock options.....			6,047	97		
Tax benefits realized from exercises of stock options.....	70					
Treasury stock purchases.....			636,200	7,535		
	-----	-----	-----	-----	-----	
BALANCES -- MARCH 31, 1996.....	9,051	34,438	54,327	1,106,435	14,799	
Net Earnings.....		3,631				
Cash Dividends (\$0.12 per share).....			(953)			
	-----	-----	-----	-----	-----	

BALANCES -- MARCH 30, 1997.....	9,051	34,438	57,005	1,106,435	14,799
Net earnings.....	7,806				
Cash dividends (\$0.12 per share).....		(973)			
Exercises of stock options.....	536	4,608			
Treasury stock acquired in conjunction with exercises of stock options.....			154,504	3,170	
Tax benefits realized from exercises of stock options.....	1,821				
Stock issued in connection with an acquisition.....	67	933			
	-----	-----	-----	-----	-----
BALANCES -- MARCH 29, 1998.....	\$9,654	\$41,800	\$63,838	1,260,939	\$17,969
	=====	=====	=====	=====	=====

</TABLE>

Number of shares of common stock issued: 9,654,043 at March 29, 1998, and 9,050,636 at March 30, 1997.

See notes to consolidated financial statements.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FISCAL YEARS ENDED MARCH 29, 1998, MARCH 30, 1997 AND MARCH 31, 1996

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net earnings.....	\$ 7,806	\$ 3,631	\$ 3,947
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:			
Depreciation and amortization of property, plant and equipment.....	10,193	9,798	8,885
Amortization of goodwill.....	998	618	357
Deferred income tax provisions.....	629	59	767
Loss (gain) on sale of property, plant and equipment.....		51	11
(10)			
Changes in assets and liabilities, net of effects of acquisitions of businesses:			
Accounts receivable.....	(5,230)	2,617	(7,792)
Inventories.....	(18,471)	(9,476)	4,756
Other current assets.....	(1,067)	167	(1,171)
Other assets.....	(454)	(321)	(86)
Accounts payable.....	4,750	669	(1,311)
Income taxes payable.....	(1,662)	1,290	(1,078)
Accrued liabilities.....	(664)	2,169	27
Other liabilities.....	(281)	45	51
	-----	-----	-----
Net Cash Provided by (Used for) Operating Activities.....	(3,402)	11,277	7,342
	-----	-----	-----
INVESTING ACTIVITIES:			
Capital expenditures.....	(8,300)	(5,702)	(23,650)
Acquisitions, net of cash acquired.....	(19,611)	(459)	(20,471)
Proceeds from sale of property, plant and equipment.....	200	372	444
	-----	-----	-----
Net Cash Used for Investing Activities.....	(27,711)	(5,789)	(43,677)
	-----	-----	-----
FINANCING ACTIVITIES:			
Long-term borrowings.....		50,400	
Payment of long-term debt.....	(775)	(5,100)	(6,564)
Increase in bank revolving credit.....	9,000	2,000	19,000
Increase (decrease) in notes payable.....	20,273	(1,350)	(18,621)
Purchases of treasury stock.....		(7,535)	
Stock options exercised.....	3,795		577
Cash dividends.....	(973)	(953)	(972)
	-----	-----	-----
Net Cash Provided by (Used for) Financing Activities.....	31,320	(5,403)	36,285
	-----	-----	-----

NET INCREASE (DECREASE) IN CASH.....	207	85	(50)
CASH AT BEGINNING OF YEAR.....	602	517	567
CASH AT END OF YEAR.....	\$ 809	\$ 602	\$ 517
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid.....	\$ 5,368	\$ 2,534	\$ 3,541
Interest paid, net of interest capitalized of \$402 (1996)...	\$ 6,452	\$ 4,773	\$ 3,172

</TABLE>

See notes to consolidated financial statements.

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## CROWN CRAFTS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEARS ENDED MARCH 29, 1998, MARCH 30, 1997 AND MARCH 31, 1996

#### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Business:** Crown Crafts, Inc. and its subsidiaries (collectively, the "Company") operate in a single business segment within the textiles industry and are principally engaged in the design, manufacture and sale of home furnishing products. The Company's three principal product groups are bedroom products, throws and decorative home accessories, and infant and juvenile products. Sales are generally made directly to retailers, primarily department and specialty stores, mass merchants, large chain stores and gift stores.

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

The Company's fiscal year ends on the Sunday nearest March 31. Fiscal years are designated in the consolidated financial statements and notes thereto by reference to the calendar year within which the fiscal year ends. The consolidated financial statements encompass 52 weeks of operations for each of the three years presented.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

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

**Depreciation and Amortization:** Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 15 to 40 years for buildings, 3 to 7 1/2 years for machinery and equipment, and 8 years for furniture and fixtures. The cost of improvements to leased premises is amortized over the shorter of the estimated life of the improvement or the term of the lease.

**Goodwill,** which represents the unamortized excess of purchase price over fair value of net identifiable assets acquired in business combinations, is amortized using the straight-line method over periods of up to 30 years. The Company reviews the carrying value of goodwill and other long-lived assets if the facts and circumstances suggest that their recoverability may have been impaired. The Company believes that no impairment of goodwill exists at March 29, 1998.

**Futures Transactions:** Realized and unrealized gains and losses in the fair values of cotton futures contracts are recognized in earnings during the periods

in which such changes occur. The Company did not enter into any futures contracts during 1997 or 1998.

**Provisions for Income Taxes:** The provisions for income taxes include all currently payable federal, state and local taxes that are based upon the Company's taxable income and the change during the fiscal year in net deferred income tax assets and liabilities. The Company provides for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse.

**Earnings Per Share:** In 1998, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 replaced previously reported primary and fully-diluted earnings per share amounts with basic and diluted earnings per share. Earnings per share for all prior periods have been restated to conform to the requirements of SFAS 128.

**Stock-Based Compensation:** The Company accounts for stock option grants using the intrinsic value method and only issues stock options that have an exercise price that is equal to or more than the fair value of the underlying shares at the date of grant. Accordingly, no compensation expense is re-

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

corded in the accompanying statements of earnings with respect to stock option grants.

2. ACQUISITIONS

During 1998, the Company acquired four businesses: Hamco, Inc. ("Hamco") on March 31, 1997; Noel Joanna, Inc. ("NoJo") on August 18, 1997; Pinky Baby Products ("Pinky") on January 2, 1998; and Burgundy Interamericana, S.A.de C.V. ("Burgundy") on January 30, 1998. NoJo designs and markets infant bedding and accessories. Hamco and Pinky manufacture infant soft goods such as bibs, hooded towels and burp cloths. Burgundy is a Mexican contract manufacturer of consumer textile products. The total consideration for these four acquisitions, including transaction costs, was \$20.6 million, of which \$19.6 million was paid in cash with the balance paid through the issuance of approximately 67,000 shares of the Company's common stock.

All four 1998 acquisitions were accounted for as purchases. Accordingly, the net purchase price was allocated based upon the respective acquisition-date fair market values of assets acquired and liabilities assumed, as follows:

<TABLE>

<CAPTION>

(IN THOUSANDS)

<S>

<C>

Assets acquired, other than cash.....	\$14,181
Goodwill.....	16,324
	-----
	30,505
Less liabilities assumed.....	10,121
	-----
Purchase price, net of cash acquired.....	\$20,384
	=====

</TABLE>

The consolidated statement of earnings for 1998 includes the revenues, expenses and operating results for each of these four companies commencing with its respective acquisition date. The following unaudited pro forma information presents the Company's consolidated results of operations as though the acquisition of Hamco, Pinky and NoJo had occurred on the first day of fiscal 1997. Had the acquisition of Burgundy occurred on the first day of fiscal 1997, the pro forma information would not differ materially from the amounts presented. These pro forma results do not purport to be indicative of the results which would have been achieved had the acquisitions been made on that date, or of future results of operations.

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Net sales.....	\$331,805	\$287,681
Net earnings.....	7,436	3,417
Basic earnings per share.....	0.92	0.43
Diluted earnings per share.....	0.88	0.43

During 1997, the Company acquired Woven Classic Throws, Inc., a small manufacturer of specialty woven throws, for a cash purchase price of \$0.2 million, including transaction costs. The acquisition was accounted for as a purchase and did not have a material effect on the Company's 1997 operating results.

During 1996, the Company acquired four businesses: Textile, Inc. ("Textile") on April 3, 1995; The Red Calliope and Associates, Inc. ("Red Calliope") on October 31, 1995; KKH Corporation ("Pillow Buddies") on December 19, 1995; and Churchill Weavers, Inc. ("Churchill") on January 4, 1996. Red Calliope designs and markets infant bedding products and related accessories. Pillow Buddies designs and markets imported patented animal-shaped children's pillows. Churchill manufactures and markets luxury throws and other hand-woven textile products. Textile operated as a contract manufacturer of jacquard-woven throws prior to the acquisition and is now used primarily to provide a portion of the Company's production capacity for throws. The total consideration for these four acquisitions, including transaction costs and certain contingent payments and adjustments that occurred in 1997 and 1998, was \$21.3 million, all of which was paid in cash.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The four 1996 acquisitions were accounted for as purchases. Accordingly, in the 1996 financial statements the net purchase price was allocated based upon the respective acquisition-date fair market values of assets acquired and liabilities assumed, as follows:

<TABLE>  
<CAPTION>

	(IN THOUSANDS)
<S>	<C>
Assets acquired, other than cash.....	\$18,899
Goodwill.....	13,829
	-----
	32,728
Less liabilities assumed.....	12,257
	-----
Purchase price, net of cash acquired.....	\$20,471
	=====

</TABLE>

The Textile acquisition occurred on the first day of 1996. Had the remaining three acquisitions also occurred on that date, the Company's earnings per share would not have differed materially from the amounts reported in the consolidated financial statements.

3. DISCONTINUANCE OF CERTAIN  
BUSINESSES

In 1997, the Company recorded costs and expenses of \$1,263,000, net of related income tax benefits, as a result of plans adopted to liquidate Hans Benjamin Furniture, Inc. ("Hans Benjamin"), a 51-percent-owned subsidiary, and



to divest itself of Benn Corporation, a wholly-owned manufacturer of textile machinery.

The decision to liquidate Hans Benjamin was precipitated by the receipt of notices from two California regulatory agencies stating that a line of juvenile foam-core furniture manufactured by Hans Benjamin did not comply with a California flammability standard, that such products were mislabeled, and that these matters could subject Hans Benjamin to civil penalties. The Company's subsequent internal investigation revealed that other products manufactured by Hans Benjamin were not in compliance with the California flammability standard, were similarly mislabeled and that such mislabeled products had also been shipped into states other than California. Hans Benjamin responded by announcing a nationwide voluntary recall of all furniture products it manufactured. During the fourth fiscal quarter of 1997, Hans Benjamin negotiated a settlement with California regarding the civil penalties to be paid, and was liquidated.

The decision to sell Benn Corporation was based upon the Company's desire to concentrate its resources on its consumer products businesses. The sale of Benn Corporation was consummated in the fourth fiscal quarter of 1998, resulting in a reduction of costs and expenses of \$335,000, net of related income taxes.

#### 4. INVENTORIES

Major classes of inventory were as follows:

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
	(IN THOUSANDS)	
	<C>	<C>
Raw materials and supplies.....	\$34,013	\$27,415
Work in process.....	3,441	1,961
Finished goods.....	44,978	27,484
	-----	-----
	\$82,432	\$56,860
	=====	=====

</TABLE>

#### 5. FINANCING ARRANGEMENTS

**Factoring Agreement:** The Company assigns the majority of its trade accounts receivable to a commercial factor. The Company does not borrow funds from its factor or take advances against accounts receivable so assigned. Under the terms of the factoring agreement, the factor remits payments to the Company on the average due date of each group of invoices assigned. The factor bears credit losses with respect to assigned accounts receivable that are within approved credit lines. The Company bears losses resulting from returns, allowances, claims and discounts. Factoring fees, which are included in marketing and administrative expenses in the consolidated statements of earnings, were: \$1,944,000, \$1,777,000 and \$1,477,000, respectively, in 1998, 1997 and 1996.

**Notes Payable:** At March 29, 1998, the Company had available uncommitted lines of credit totaling \$40,000,000 with two banks at floating rates of interest. No fees or compensating balances are required under these arrangements, and the lines are cancelable at the banks' discretion. Annual average borrowings and weighted average interest rates under these arrangements were \$16,502,000 at 6.3%

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

in 1998 and \$7,161,000 at 5.8% in 1997. Borrowings of \$24,850,000 were outstanding under these arrangements at March 29, 1998 at an average interest rate of 6.5%. In addition, the Company had outstanding letters of credit, primarily for purchases of inventory, aggregating \$5.1 million which reduced the available credit under these arrangements.

**Long-Term Debt:** At March 29, 1998 and March 30, 1997, long-term debt

consisted of:

<TABLE>  
<CAPTION>

	1998	1997	
	-----	-----	
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
6.92% unsecured notes due in annual installments of \$7,143 from October 1999 through October 2005.....	\$50,000	\$50,000	
Floating rate unsecured revolving credit facilities maturing August 1998.....	30,000	21,000	
Other.....	200	300	
	-----	-----	
	80,200	71,300	
Less current maturities.....	30,100	100	
	-----	-----	
	\$50,100	\$71,200	
	=====	=====	

</TABLE>

The Company's unsecured revolving credit facilities provide for a total of \$30 million of committed funds. The interest rate on borrowings under these lines is based on the London Interbank Offered Rate. At March 29, 1998 and March 30, 1997, the weighted average interest rates on amounts outstanding under these facilities were 6.1% and 6.1%, respectively. The Company pays facility fees at the rate of 0.15% per annum on the unused portions of the committed credit lines.

The unsecured notes, which are placed with an insurance company, and the floating rate unsecured revolving credit facilities, which are placed with two banks, contain similar restrictive covenants requiring the Company to maintain certain ratios of earnings to fixed charges and of total debt to total capitalization. In addition, the bank revolving credit facilities contain certain covenants requiring the Company to maintain minimum levels of shareholders' equity and certain ratios of total debt to cash flow. The bank facilities also place restrictions on the amounts the Company may expend on acquisitions and purchases of treasury stock. At March 29, 1998, the Company was in compliance with all restrictive covenants, and retained earnings of approximately \$9.2 million were available for dividend payments.

Scheduled maturities of long-term debt in each of the next five fiscal years are: \$30,100,000 in 1999, \$7,243,000 in 2000, \$7,143,000 in 2001, \$7,143,000 in 2002 and \$7,143,000 in 2003. The fair value at March 29, 1998 of the Company's long-term obligations, which amount has been estimated by discounting the projected cash flows using rates currently available to the Company for loans with similar terms and maturities, approximates their carrying value.

## 6. INCOME TAXES

The provisions for income taxes are summarized as follows:

<TABLE>  
<CAPTION>

	1998	1997	1996	
	-----	-----	-----	
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	
Current:				
Federal.....	\$3,870	\$2,887	\$1,645	
State and local.....	210	328	180	
	-----	-----	-----	
Total current....	4,080	3,215	1,825	
	-----	-----	-----	
Deferred:				
Federal.....	404	(223)	824	
State and local.....	225	282	(57)	
	-----	-----	-----	
Total deferred...	629	59	767	

\$4,709	\$3,274	\$2,592
---------	---------	---------

</TABLE>

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

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Gross deferred income tax liabilities:		
Property, plant and equipment...	\$7,318	\$7,292
DISC earnings deferral.....	763	873
Other.....	922	601
	-----	-----
Total gross deferred income tax liabilities.....	9,003	8,766
	-----	-----
Gross deferred income tax assets:		
Employee benefit accruals.....	1,721	1,512
Accounts receivable reserves....	917	972
Other.....	456	797
	-----	-----
Total gross deferred income tax assets.....	3,094	3,281
	-----	-----
Net deferred income tax liability.....	\$5,909	\$5,485
	=====	=====

</TABLE>

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A reconciliation between the provisions for income taxes computed by applying the applicable maximum federal statutory rates to earnings before income taxes and the provisions for income taxes is as follows:

<TABLE>  
<CAPTION>

	1998	1997	1996
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Income taxes at federal statutory rates.....	\$4,380	\$2,417	\$2,289
Non-deductible amortization of goodwill.....	278	210	125
Operating losses of 51-percent-owned subsidiary not deductible in consolidated federal income tax return.....		430	80
State income taxes net of federal income tax benefit.....	283	403	80
Other.....	(232)	(186)	18
	-----	-----	-----
Provisions for income taxes.....	\$4,709	\$3,274	\$2,592
	=====	=====	=====

</TABLE>

7. RETIREMENT PLANS

The Company maintains an Employee Stock Ownership Plan, which provides for annual contributions by the Company at the discretion of the Board of Directors for the benefit of eligible employees. Contributions can be made either in cash or in shares of the Company's common stock. Participation in the Plan is open to all Company employees who are at least twenty-one years of age and who have been employed by the Company for at least one year. The Company recognized expense of \$520,000, \$450,000, and \$600,000, respectively, for its cash contributions to the Plan in 1998, 1997 and 1996.

Effective January 1, 1996, the Company established an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees. Under the Plan, employees generally may elect to exclude up to 15% of their compensation from amounts subject to income tax as a salary deferral contribution. The Board of Directors determines each calendar year the portion, if any, of employee contributions that will be matched by the Company. For calendar 1996 and calendar 1997, the Company made a matching contribution to each employee in an amount equal to the first 2% of such contributions. In calendar 1998, the Company has made or will make a matching contribution to each employee in an amount equal to 100% of the first 2% and 50% of the next 1% contributed by the employee. The Company's matching contributions to the Plan were approximately \$577,000, \$550,000 and \$118,000, respectively, for 1998, 1997 and 1996.

## 8. STOCK OPTIONS

The Company's 1976 and 1995 Stock Option Plans provide for the grant of non-qualified stock options to officers and key employees at prices no less than the price of the stock on the date of each grant. In addition, the 1995 Stock Option Plan provides for the grant of incentive stock options to employees and a fixed annual grant of 2,000 non-qualified stock options to each non-employee director on the day after each year's annual meeting of shareholders. Through March 29, 1998, non-qualified options covering a total of 20,000 shares have been issued to non-employee directors and no incentive options have been issued. One-third of the non-qualified options become exercisable on each of the first three anniversaries of their issuance. The non-qualified options expire on the fifth anniversary of their issuance.

A total of 5,225,000 shares of common stock has been authorized for issuance under the Plans. At March 29, 1998, 545,276 options were reserved for future issuance. The options outstanding at March 29, 1998 expire through March 2, 2003, have a weighted average remaining contractual life of 3.5 years, and include 148,073 options exercisable at March 29, 1998 with a weighted average exercise price of \$9.86.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

<TABLE>  
<CAPTION>

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	EXERCISE PRICE
	<C>	<C>	<C>
Options outstanding, April 2, 1995.....	1,385,207	\$10.63 -- 20.63	\$14.51
Options granted.....	515,209	9.50 -- 17.50	12.57
Options canceled.....	(109,629)	11.75 -- 19.50	14.55
Options exercised....	(46,645)	10.63 -- 15.75	12.94
-----			
Options outstanding, March 31, 1996.....	1,744,142	9.50 -- 20.63	13.97
Options granted.....	2,224,686	7.88 -- 11.75	9.61
Options canceled.....	(1,890,076)	7.88 -- 20.63	13.64
-----			
Options outstanding,			

March 30, 1997.....	2,078,752	7.88 -- 13.25	9.60
Options granted.....	486,800	10.25 -- 21.31	12.66
Options canceled.....	(138,585)	7.88 -- 15.63	9.50
Options exercised....	(536,740)	7.88 -- 11.75	9.59
-----			
Options outstanding			
March 29, 1998.....	1,890,227	7.88 -- 21.31	10.39
-----			

</TABLE>

The following table summarizes information about stock options outstanding and exercisable at March 29, 1998 by range of exercise price:

<TABLE>

<CAPTION>

	WEIGHTED WEIGHTED AVERAGE AVERAGE		WEIGHTED AVERAGE AVERAGE			
RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS OUTSTANDING	REMAINING CONTRACTUAL LIFE	PRICE OF OPTIONS OUTSTANDING	NUMBER OF SHARES EXERCISABLE	PRICE OF SHARES EXERCISABLE	
\$ 7.88 -- \$11.75	1,744,627	3.4 years	\$10.00	144,071	\$ 9.79	
12.13 -- 15.75	105,600	4.8 years	14.02	4,002	13.25	
16.31 -- 21.31	40,000	4.8 years	17.98	--	--	
	-----		-----			
	1,890,227		148,073			
	-----		-----			

</TABLE>

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

Activity for 1997 includes 1,569,936 and 1,613,474 options granted and canceled, respectively, on April 12, 1996 as the result of an exchange offer which was authorized by the Compensation Committee of the Company's Board of Directors under which the Company issued new stock options in exchange for options which had been issued after December 31, 1991, were held by active employees who elected to participate in the exchange, and for which the closing market price on April 12, 1996 was at least \$0.25 below the option exercise price. The number of repriced options so issued was equal to 80% of options exchanged which had originally been issued in calendar 1992 and 100% of options exchanged which had originally been issued after December 31, 1992. The average price of the options surrendered for cancellation under this exchange offer was \$14.14. Options granted under the offer have an exercise price of \$10.25 per share, or \$0.25 in excess of the closing market price of the Company's stock on April 12, 1996. The repriced options vest and expire on the same basis as any other options issued by the Company.

The weighted-average grant-date fair value of options granted in 1998, 1997 and 1996, respectively, was \$4.02, \$2.60 and \$4.04 per share. Had compensation cost for the Company's stock option grants been determined and recorded as expense at the grant dates, the Company's pro forma net income and earnings per share would have been as follows:

<TABLE>

<CAPTION>

	1998	1997	1996
Net income.....	\$6,305,000	\$2,371,000	\$3,713,000
Basic earnings per share.....	0.78	0.30	0.46
Diluted earnings per share.....	0.74	0.30	0.46
	-----	-----	-----

</TABLE>

The pro forma information for 1997 considers repriced options which were originally issued prior to 1996 as newly-issued options.

For purposes of the pro forma disclosure, the fair value of each option was estimated as of the date of grant using the Black-Scholes option-pricing model and is amortized to expense ratably as the option vests. The following assumptions were used for options granted in 1998: dividend yield of 0.9 percent, expected volatility of 32.2 percent, risk-free interest rate of 6.1 percent, and expected lives of 4 years. The following assumptions were used for options granted in 1997: dividend yield of 0.9 percent, expected volatility of 31.7 percent, risk-free interest rate of 6.2 percent, and expected lives of 4 years. The following assumptions were used for options granted in 1996: dividend yield of 0.9 percent, expected volatility of 31.8 percent, risk-free interest rate of 6.1 percent, and expected lives of 4 years.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Option valuation models require the use of highly subjective assumptions including the stock price volatility. Because changes in the subjective assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options.

9. EARNINGS PER SHARE

The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share for each of the last three years:

<TABLE>  
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Numerators:			
Numerator for both basic and diluted earnings per share, net income.....	\$7,806,000	\$3,631,000	\$3,947,000
	-----	-----	-----
Denominators:			
Denominators for basic earnings per share, weighted average common shares outstanding.....	8,064,559	7,944,201	8,125,048
Potential dilutive shares resulting from stock option plans....	430,219	73,666	30,843
	-----	-----	-----
Denominator for diluted earnings per share....	8,494,778	8,017,867	8,155,891
	-----	-----	-----
Earnings per share:			
Basic.....	\$ 0.97	\$ 0.46	\$ 0.49
Diluted.....	\$ 0.92	\$ 0.45	\$ 0.48
	-----	-----	-----

</TABLE>

10. MAJOR CUSTOMERS

The Company's sales to Wal-Mart Stores, Inc. constituted 19%, 17% and 18% of net sales, respectively, in 1998, 1997 and 1996.

11. COMMITMENTS AND CONTINGENCIES

Lease Commitments: At March 29, 1998, the Company's minimum annual rentals under noncancelable operating leases, principally for manufacturing, warehousing and office facilities, were as follows:

<TABLE>

<CAPTION>

(IN THOUSANDS)

<S>	<C>
1999.....	\$ 3,759
2000.....	3,573
2001.....	3,166
2002.....	2,399
2003.....	1,513
Thereafter.....	5,557
	-----
	\$19,967
	=====

</TABLE>

Total rent expense was \$4,718,000, \$3,710,000, and \$3,123,000, respectively, for 1998, 1997, and 1996.

Contingencies: In order to resolve certain disputes which have arisen between them, the Company and its Israeli supplier of ROYAL SATEEN(R) fabric and products, Kitan Textile Industries Ltd. ("Kitan"), have entered into a binding arbitration proceeding. In connection with the arbitration, the Company made a claim against Kitan for payment of \$9.9 million in damages stemming primarily from Kitan's failure to make timely deliveries over a three-year period, and Kitan made a claim against the Company for payment of \$8.5 million for damages allegedly suffered primarily as a result of differences between the Company's forecasts of demand and its actual orders for Kitan's fabric and products. On April 9, 1998, the Company and Kitan entered into a settlement agreement concerning all claims and counterclaims for monetary damages. The settlement agreement did not involve a cash payment by either party. Within the framework of the settlement agreement, both companies have agreed to spend an additional amount of money in developing the U.S. market for ROYAL SATEEN(R) bedding. The arbitration remains pending for interpretation of certain contract terms. Normal commerce between the companies has continued during the arbitration process.

The Company is party to other legal proceedings arising in the ordinary course of business. In management's opinion, the outcome of these proceedings will not have a material adverse effect on the Company's financial position or results of operations.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K  
SELECTED QUARTERLY FINANCIAL INFORMATION

<TABLE>

<CAPTION>

FIRST SECOND THIRD FOURTH  
QUARTER QUARTER QUARTER QUARTER  
-----  
(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

<S>	<C>	<C>	<C>	<C>
FISCAL YEAR ENDED MARCH 29, 1998				
Net sales.....	\$52,644	\$86,334	\$103,037	\$77,223
Gross profit.....	10,565	20,856	24,698	14,970
Net earnings (loss).....	(194)	3,440	4,481	79
Basic earnings (loss) per share.....	(0.02)	0.43	0.55	0.01
Diluted earnings (loss) per share.....	(0.02)	0.41	0.52	0.01
FISCAL YEAR ENDED MARCH 30, 1997				
Net sales.....	\$44,400	\$74,848	\$72,887	\$64,250
Gross profit.....	6,912	15,379	14,766	14,680
Net earnings (loss).....	(1,343)	1,921	1,425	1,628
Basic earnings (loss) per share.....	(0.17)	0.24	0.18	0.21
Diluted earnings (loss) per share.....	(0.17)	0.24	0.18	0.20

</TABLE>

F-14

Exhibit 10(c)(vii)

LETTER AGREEMENT

November 6, 1997

Crown Crafts, Inc.  
1600 RiverEdge Parkway  
Suite 200  
Atlanta, GA 30328

Attn: Mr. Robert Schnelle, Treasurer

Reference is made to the Revolving Credit Agreement ("Credit Agreement") dated as of August 25, 1995 as amended by that certain amendment dated May 1, 1996 and that certain amendment dated June 28, 1996 between Crown Crafts, Inc. ("Crown Crafts") and NationsBank, N.A. ("NationsBank"), formerly NationsBank, National Association (Carolinas). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

Whereas, the Borrower has requested that NationsBank waive compliance with Section 7.4 Consolidated Cash Flow Ratio of the Credit Agreement for the period ended 9/28/97.

Now, therefore, pursuant to the request of the Borrower, the Lender agrees to waive compliance with Section 7.4 of Article VII of the Credit Agreement for the quarter ended September 28, 1997. This waiver is subject to the payment of the Amendment Fee as stated below.

Amendment Fee. Crown Crafts agrees to pay NationsBank an amendment fee of \$9,000, which shall be earned and paid as of such date.

Except as expressly set forth herein, this letter shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of NationsBank under the Credit Agreement or any related document or agreement. Except as expressly set forth herein, all of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement and any related document ratified and affirmed in all respects and shall continue in full force and effect.

Please indicate your agreement and acceptance by signing a copy of this letter below and returning it to us.

Sincerely,

BY: /s/ DAVID H. DINKINS

-----  
David H. Dinkins  
Vice President

Agreed and Accepted by: Crown Crafts, Inc.

BY: /s/ROBERT E. SCHNELLE

-----  
Robert E. Schnelle  
Chief Accounting Officer, Treasurer



LETTER AGREEMENT

January 14, 1998

Crown Crafts, Inc.  
1600 RiverEdge Parkway  
Suite 200  
Atlanta, GA 30328

Attn: Mr. Robert Schnelle, Treasurer

Reference is made to the Revolving Credit Agreement ("Credit Agreement") dated as of August 25, 1995 as amended by that certain amendment dated May 1, 1996 and that certain amendment dated June 28, 1996 between Crown Crafts, Inc. ("Crown Crafts") and NationsBank, N.A. ("NationsBank"), formerly NationsBank, National Association (Carolinas). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

Whereas, the Borrower has requested that NationsBank amend Section 7.7 (v) to allow the aggregate amount of all Cost of Acquisitions to exceed \$40,000,000 during the term of this Agreement.

Now, therefore, pursuant to the request of the Borrower, the Lender agrees to amend Section 7.7 (v) such that the aggregate amount of the Cost of Acquisitions shall not exceed \$42,000,000 during the term of this Agreement.

Except as expressly set forth herein, this letter shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of NationsBank under the Credit Agreement or any related document or agreement. Except as expressly set forth herein, all of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement and any related document ratified and affirmed in all respects and shall continue in full force and effect.

Please indicate your agreement and acceptance by signing a copy of this letter below and returning it to us.

Sincerely,

BY: /S/DAVID H. DINKINS

-----  
David H. Dinkins  
Vice President

Agreed and Accepted by: Crown Crafts, Inc.

BY: /S/ROBERT E. SCHNELLE

-----  
Robert E. Schnelle  
Chief Accounting Officer, Treasurer

Exhibit 10(d)(vii)

LETTER AGREEMENT

November 7, 1997

Crown Crafts, Inc.  
1600 RiverEdge Parkway  
Suite 200  
Atlanta, GA 30328

Attn: Mr. Robert E. Schnelle, Treasurer

Reference is made to the Revolving Credit Agreement ("Credit Agreement") dated as of August 25, 1995 as amended by that certain amendment dated May 1, 1996 and that certain amendment dated June 28, 1996 between Crown Crafts, Inc. ("Crown Crafts") and Wachovia Bank, N.A. ("Wachovia"), formerly Wachovia Bank of Georgia, N.A. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

Whereas, the Borrower is required under Article VII of the Agreement to comply with certain financial covenants regarding the merger, purchase, or acquisition of other Persons.

Whereas, the Borrower has requested that Wachovia waive compliance with Section 7.4 Consolidated Cash Flow Ratio of the Credit Agreement for the period ended 9/28/97.

Now, therefore, pursuant to the request of the Borrower, the Lender agrees to waive compliance with Section 7.4 of Article VII of the Credit Agreement for the quarter ended September 28, 1997. This waiver is subject to the payment of the Amendment Fee as stated below.

Amendment Fee. Crown Crafts agrees to pay Wachovia an amendment fee of \$9,000, which shall be earned and paid as of such date.

Except as expressly set forth herein, this letter shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of Wachovia under the Credit Agreement or any related document or agreement. Except as expressly set forth herein, all of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement and any related document ratified and affirmed in all respects and shall continue in full force and effect.

Please indicate your agreement and acceptance by signing a copy of this letter below and returning it to us.

Sincerely,

BY: /S/RICHARD E.S. BOWEN

-----  
Richard E.S. Bowen  
Commercial Officer

Agreed and Accepted by: Crown Crafts, Inc.

BY: /S/ROBERT E. SCHNELLE

-----  
Robert E. Schnelle  
Chief Accounting Officer, Treasurer

Exhibit 10(d)(viii)

LETTER AGREEMENT

January 22, 1998

Crown Crafts, Inc.  
1600 RiverEdge Parkway  
Suite 200  
Atlanta, GA 30328

Attn: Mr. Robert E. Schnelle, Treasurer

Reference is made to the Revolving Credit Agreement ("Credit Agreement") dated as of August 25, 1995 as amended by that certain amendment dated May 1, 1996 and that certain amendment dated June 28, 1996 between Crown Crafts, Inc. ("Crown Crafts") and Wachovia Bank, N.A. ("Wachovia"), formerly Wachovia Bank of Georgia, N.A. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

Whereas, the Borrower has requested that Wachovia amend Section 7.7 (v) to allow the aggregate amount of all Cost of Acquisitions to exceed \$40,000,000 during the term of this Agreement.

Now, therefore, pursuant to the request of the Borrower, the Lender agrees to amend Section 7.7 (v) such that the aggregate amount of the Cost of Acquisitions shall not exceed \$42,000,000 during the term of this Agreement.

Except as expressly set forth herein, this letter shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of Wachovia under the Credit Agreement or any related document or agreement. Except as expressly set forth herein, all of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement and any related document ratified and affirmed in all respects and shall continue in full force and effect.

Please indicate your agreement and acceptance by signing a copy of this letter below and returning it to us.

Sincerely,

BY: /S/RICHARD E.S. BOWEN

-----  
Richard E.S. Bowen  
Assistant Vice President

Agreed and Accepted by: Crown Crafts, Inc.

BY: /S/ROBERT E. SCHNELLE

-----  
Robert E. Schnelle  
Chief Accounting Officer, Treasurer

## LICENSE AGREEMENT

Date: January 1, 1998

Re: MULTIPLE BRANDS/PROPERTIES

This license agreement ("Agreement") is entered into by and between Disney Enterprises, Inc. ("Disney"), with a principal place of business at 500 South Buena Vista Street, Burbank, California 91521, and CROWN CRAFTS, INC. ("Licensee"), with its principal place of business at 1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328. Disney and Licensee agree as follows:

### 1. MEANING OF TERMS

- A. "LICENSED MATERIAL" means the graphic representations of the following:

Such characters and depictions of such characters, and such still scenes and accompanying design elements, as may be designated by Disney, from those Properties (as defined below) as are licensed hereunder and are the subject of separate written "Schedules" attached hereto, pursuant to such specifications as set forth in the applicable Schedule for each individual Property licensed hereunder. Said Schedules shall be numbered consecutively starting with Schedule 1 for the first Property so licensed, subject to the terms of this Agreement, and each Schedule is hereby incorporated herein by reference as if fully set forth.

- B. "TRADEMARKS" means "WALT DISNEY", "DISNEY", the representations of Licensed Material included in Paragraph 1.A. above, and the brand name(s) and logo(s) of the Properties in which Licensed Material included in Paragraph 1.A. above appears, as are licensed hereunder, pursuant to the specifications stated in the applicable Schedule for each such licensed Property.

- C. "ARTICLES" means the items on or in connection with which the Licensed Material and/or the Trademarks are reproduced or used, and includes each and every stock keeping unit ("SKU") of each Article as are specified on the applicable Schedule for each Property licensed hereunder.

- D. "MINIMUM PER ARTICLE ROYALTY" means for each Article identified herein which is sold the sum indicated herein:

None.

Crown Crafts, Inc.  
Multiple Brands/Properties  
Agreement dated January 1, 1998  
Page 2

- E. "TERM" of this Agreement means the period commencing as of January 1, 1998, and ending upon the expiration of the latest Schedule entered into hereunder. The term applicable for each specific Property licensed hereunder shall be the period commencing as of the Effective Date and ending on the Termination Date stated on the applicable Schedule for each such Property.

- F. "TERRITORY" means the United States, United States PX's wherever located, and United States territories and possessions, excluding Puerto Rico, Guam, Commonwealth of Northern Mariana Islands and Palau. However, if sales are made to chain stores in the United States which have stores in Puerto Rico, such chain stores may supply Articles to such stores in Puerto Rico.

- G. "ROYALTIES" means a royalty in the amounts set forth below in Paragraphs 1.G.(1)(a) - (e) and Royalties shall be further governed by the provisions contained in Paragraphs

1.G.(2)-(6):

[\*](1)

H. "NET INVOICED BILLINGS" means the following:

- (1) actual invoiced billings (i.e., sales quantity multiplied by Licensee's selling price) for Articles sold, and all other receivables of any kind whatsoever, received in payment for the Articles, whether received by Licensee or any of Licensee's Affiliates, except as provided in Paragraph 1.H.(2), less "Allowable Deductions" as hereinafter defined.
- (2) The following are not part of Net Invoiced Billings: invoiced charges for transportation of Articles within the Territory which are separately identified on the sales invoice, and sales taxes.

I. [\*](2)

J. "ROYALTY PAYMENT PERIOD" means each calendar monthly period during the Term and during the sell-off period, if granted.

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(1) Confidential portions omitted and filed separately with the Commission.

(2) Confidential portions omitted and filed separately with the Commission.

Crown Crafts, Inc.  
Multiple Brands/Properties  
Agreement dated January 1, 1998  
Page 3

K. "ADVANCE" means the non-refundable sum(s) stated in the applicable Schedule for each Property, payable by the date(s) indicated therein, as an advance on Royalties to accrue in the period(s) stated in the applicable Schedule.

L. "GUARANTEE" means the sum(s) which Licensee guarantees to pay as minimum Royalties on Licensee's cumulative sales of Articles for each Property as stated in the applicable Schedule attached hereto, in the calendar year increments stated in the subject Schedule. Any shortfall shall be payable at the end of the applicable calendar year. For any given Property, the Guarantee may be broken down into separate Guarantees for each of the individual product lines licensed thereunder.

M. "SAMPLES" means six (6) samples of each SKU of each Article, from the first production run of each supplier of each SKU of each Article.

N. "PROMOTION COMMITMENT" means the following sum(s) which Licensee agrees to spend in the following way(s):

[\*](3)

O. "MARKETING DATE" means the date(s) specified on the applicable Schedule for each Property by which the specified Article(s) shall be available for purchase by the public at the retail outlets authorized pursuant to Paragraph 2.A.

P. "AFFILIATE" means, with regard to Licensee, any corporation or other entity which directly or indirectly controls, is controlled by, or is under common control with Licensee; with regard to Disney, "Affiliate" means any corporation or other entity which directly or indirectly controls, is controlled by, or is under common control with Disney. "Control" of an entity shall mean possession, directly or indirectly, of

power to direct or cause the direction of management or policies of such entity, whether through ownership of voting securities, by contract or otherwise.

- Q. "LAWS" means any and all applicable laws, rules, and regulations, including but not limited to, local and national laws, rules and regulations, treaties, voluntary industry standards, association laws, codes or other obligations pertaining to the grant and exercise of the license granted herein and to any

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(3) Confidential portions omitted and filed separately with the Commission.

Crown Crafts, Inc.  
Multiple Brands/Properties  
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of Licensee's activities under this Agreement, including but not limited to those applicable to any tax, and to the manufacture, pricing, sale and/or distribution of the Articles.

- R. "RETAILER" means independent and chain retail outlets which have storefronts and business licenses, and which customers walk into, not up to; "WHOLESALE" means a seller of items to retailers, not consumers, and includes the term "distributor". The following do not qualify as authorized sales outlets for Articles under this Agreement under any circumstances: swap meets, flea markets, street peddlers, unauthorized kiosks, and the like.
- S. "MANUFACTURER" means any of Licensee's third-party manufacturers and suppliers (and their sub-manufacturers and suppliers) which reproduce or use the Licensed Material and/or Trademarks on Articles, or components thereof, and/or which assemble such Articles.
- T. "PROPERTIES" means any or all of the "Studio Properties" and the "Branded Properties" as defined below.
- U. "STUDIO PROPERTIES" means those Disney children-oriented studio properties (including children-oriented properties developed by Disney for ABC) released or introduced on or before December 31, 1999, from any source, including but not limited to books, feature films, television and home video, which receive Disney advertising and licensing support.
- (1) The specific characters and Licensed Material licensed under any Studio Property shall be specified on the relevant Schedule for said Studio Property.
- [\*](4)
- V. "BRANDED PROPERTIES" means the children-oriented Disney copyrighted characters or properties not necessarily associated with a Studio Property, which include any and all Disney classic characters, the Disney Standard Characters and the Winnie the Pooh characters, and which may be licensed by Disney as either individual characters or as part of one or more merchandise programs or brands of merchandise. The specific characters and Licensed Material licensed under any Branded Property shall be specified on the relevant Schedule for said Branded Property.

-----  
(4) Confidential portions omitted and filed separately with the Commission.

- W. "SCHEDULE" means each separate "Schedule to License Agreement" entered into between Disney and Licensee on a Property-by-Property basis, the terms of each of which are hereby incorporated herein by reference and made a part hereof as though fully set forth. The Schedule for each Property licensed hereunder shall state any and all contract terms as are specific to such Property.

## 2. RIGHTS GRANTED

- A. (1) In consideration for Licensee's promise to pay and Licensee's payment of all monetary obligations required hereunder, and Licensee's performance of all other obligations required of Licensee hereunder for each Property that becomes the subject of a separate Schedule entered into between Disney and Licensee, Disney grants Licensee the non-exclusive right, during the term of the relevant Schedule for each subject Property, and only within the Territory, to reproduce the subject Licensed Material only on or in connection with the Articles, to use such specified Trademarks and uses thereof as may be approved when each SKU of the Articles is approved and only on or in connection with the Articles, and to manufacture, distribute for sale and sell the Articles as authorized by this Paragraph 2.A.
- (2) Licensee will sell the Articles only to authorized customers in the Territory as specified in the relevant Schedule for the subject Property.
- (3) Licensee may not sell the Articles by direct marketing methods, which includes but is not limited to, computer on-line selling, direct mail and door-to-door solicitation. Licensee may not sell the Articles to Retailers selling merchandise on a duty-free basis, or to Wholesalers for resale to such Retailers, unless such Retailer or Wholesaler has a then-current license agreement with Disney or any of Disney's Affiliates permitting it to make such duty-free sales.
- (4) Licensee may sell the Articles to authorized customers for resale through the pre-approved mail order catalogs listed on the Catalog Schedules to this Agreement, and Licensee shall pay Royalties on such sales at the rate specified for Retailers in the applicable Schedule.

- (5) All rights not expressly granted to Licensee herein are reserved to Disney.
- B. Unless Disney consents in writing, Licensee shall not sell or otherwise provide Articles for use as premiums (including those in purchase-with- purchase promotions), promotions, give-aways, fund-raisers, or entries in sweepstakes, or through unapproved direct marketing methods, including but not limited to, home shopping television programs, or to customers for inclusion in another product. Licensee shall

not sell Articles to any customer whose business methods are legally or ethically questionable. If Licensee wishes to sell the Articles to customers for resale through mail order catalogs other than those listed on the Catalog Schedules hereto, Licensee must obtain Disney's prior written consent in each instance. However, Licensee may solicit orders by mail from those Retailers authorized pursuant to the applicable Schedule for the subject Property, and Licensee may sell to Retailers which sell predominantly at retail, but which include the Articles in their mail order catalogs, or otherwise sell Articles by direct marketing methods as well as at retail.

- C. The prohibition of computer on-line selling referenced in Paragraph 2.A. includes, but is not limited to, the display, promotion or offering of Articles in or on any on-line venues (e.g. Websites), except as specifically permitted in the next two sentences. Articles approved by Disney may be displayed and promoted on Disney-controlled on-line venues, only within the Territory. In addition, Articles approved by Disney may be displayed and promoted on Licensee's own on-line venue, and may be displayed, promoted and sold on authorized Retailers' on-line venues, subject to Disney's applicable policies and guidelines; however, Licensee must obtain Disney's prior written approval of all creative and editorial elements of such uses, in accordance with the provisions of Paragraph 7 of this Agreement.
- D. Unless Disney consents in writing, Licensee shall not give away or donate Articles to Licensee's accounts or other persons for the purpose of promoting sales of Articles, except for minor quantities or samples which are not for onward distribution.
- E. Nothing contained herein shall preclude Licensee from selling Articles to Disney or to any of Disney's Affiliates, or to Licensee's or Disney's employees, subject to the payment to Disney of Royalties on such sales.
- F. Disney further grants Licensee the right to reproduce the Licensed Material and to use the approved Trademarks, only within the Territory, during the

Crown Crafts, Inc.  
Multiple Brands/Properties  
Agreement dated January 1, 1998  
Page 7

term of the relevant Schedule for each subject Property, on containers, packaging and display material for the Articles, and in advertising for the Articles.

- G. Nothing contained in this Agreement shall be deemed to imply any restriction on Licensee's freedom and that of Licensee's customers to sell the Articles at such prices as Licensee or they shall determine.
- H. Licensee recognizes and acknowledges the vital importance to Disney of the characters and other proprietary material Disney owns and creates, and the association of the Disney name with them. In order to prevent the denigration of Disney's products and the value of their association with the Disney name, and in order to ensure the dedication of Licensee's best efforts to preserve and maintain that value, Licensee agrees that, during the Term and any extension hereof, Licensee will not manufacture or distribute any merchandise embodying or bearing any artwork or other representation which Disney determines, in Disney's reasonable discretion, is confusingly similar to Disney's characters or other proprietary material.



- I. During the Term, and within the Territory, in order to ensure Licensee's complete company-wide and highly focused commitment to marketing and promoting the Articles and the Disney Properties licensed hereunder, Licensee agrees that neither Licensee nor its Affiliates will enter into any license agreement during the Term for any other studio properties, or characters therefrom, including but not limited to book properties, classic characters, television properties or major motion picture properties, whether live action or animated, if such license agreement(s) has significant merchandising potential, as determined by Disney in its absolute discretion. [\*](5)

3. ADVANCE

- A. Licensee agrees to pay the Advance, which shall be on account of Royalties to accrue during the term for the relevant Schedule for each subject Property only, and only with respect to sales in the Territory; provided, however, that if any part of the Advance is specified as applying to any period less than the entire term of the subject Schedule, such part shall be on account of Royalties to accrue during such lesser period only. If said Royalties should be less than the Advance, no part of the Advance shall be repayable.

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(5) Confidential portions omitted and filed separately with the Commission.

Crown Crafts, Inc.  
Multiple Brands/Properties  
Agreement dated January 1, 1998  
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- B. Royalties accruing during any sell-off period or extension of the Term or any term of any relevant Schedule shall not be offset against the Advance for any given Property unless otherwise agreed in writing. Royalties accruing during any extension of the Term or any other term shall be offset only against an advance paid with respect to such extended term.
- C. In no event shall Royalties accruing by reason of any sales to Disney or any of Disney's Affiliates or by reason of sales outside the Territory pursuant to a distribution permission be offset against the Advance for any given Property or any subsequent advance.

4. GUARANTEE

- A. Licensee shall, with Licensee's statement for each Royalty Payment Period ending on a date indicated in Paragraph 1.L. hereof defining "Guarantee," or upon termination if the Agreement or the relevant Schedule for the subject Property is terminated prior to the end of the Term or the stated term of such Schedule, as applicable, pay Disney the amount, if any, by which cumulative Royalties paid with respect to sales in the Territory during any period or periods covered by the Guarantee provision, or any Guarantee provision contained in any agreement extending the term hereof, fall short of the amount of the Guarantee for such period.
- B. Advances for a Property applicable to Royalties due on sales in the period to which the Guarantee for said Property relates apply towards meeting the Guarantee for that Property.
- C. In no event shall Royalties paid with respect to sales to Disney or to any of Disney's Affiliates, or with respect to sales outside the Territory pursuant to a distribution

permission, apply towards the meeting of any Guarantee or any subsequent guarantee.

5. PRE-PRODUCTION APPROVALS

- A. As early as possible, and in any case before commercial production of any Article, Licensee shall submit to Disney for Disney's review and written approval (to utilize such materials in preparing a pre-production sample) all concepts, all preliminary and proposed final artwork, and all three-dimensional models which are to appear on or in any and all SKUs of the Article. Thereafter, Licensee shall submit to Disney for Disney's written approval a pre-production sample of each SKU of each Article. Disney shall endeavor to respond to such requests within a reasonable time, but such

Crown Crafts, Inc.  
Multiple Brands/Properties  
Agreement dated January 1, 1998  
Page 9

approvals should be sought as early as possible in case of delays. In addition to the foregoing, as early as possible, and in any case no later than sixty (60) days following written conceptual approval, Licensee shall supply to Disney for Disney's use for internal purposes, a mock-up, prototype or pre-production sample of each SKU of each Article on or in connection with which the Licensed Material is used. Licensee acknowledges that Disney may not approve concepts or artwork submitted near the end of the term of the relevant Schedule for the subject Property. Any pre-production approval Disney may give will not constitute or imply a representation or belief by Disney that such materials comply with any applicable Laws.

- B. Approval or disapproval shall lie solely in Disney's discretion, and any SKU of any Article not so approved in writing shall be deemed unlicensed and shall not be manufactured or sold. If any unapproved SKU of any Article is being sold, Disney may, together with other remedies available to Disney, including but not limited to, immediate termination of this Agreement, by written notice require such SKU of such Article to be immediately withdrawn from the market. Any modification of any SKU of an Article, including, but not limited to, change of materials, color, design or size of the representation of Licensed Material must be submitted in advance for Disney's written approval as if it were a new SKU of an Article. Approval of any SKU of an Article which uses particular artwork does not imply approval of such artwork for use with a different Article. The fact that artwork has been taken from a Disney publication or a previously approved Article does not mean that its use will necessarily be approved in connection with an Article licensed hereunder.
- C. If Licensee submits for approval artwork from an article or book manufactured or published by another licensee of Disney's or of any of Disney's Affiliates, Licensee must advise Disney in writing of the source of such artwork. If Licensee fails to do so, any approval which Disney may give for use by Licensee of such artwork may be withdrawn by giving Licensee written notice thereof, and Licensee may be required by Disney not to sell Articles using such artwork.
- D. Licensee is responsible for the consistent quality and safety of the Articles and their compliance with applicable Laws. Disney will not unreasonably object to any change in the design of an Article or in the materials used in the manufacture of the Article or in the process of manufacturing the Articles which Licensee advises Disney in writing is intended to make the Article safer or more durable.

- E. If Disney has supplied Licensee with forms for use in applying for approval of artwork, models, pre-production and production samples of Articles, Licensee shall use such forms when submitting anything for Disney's approval.
- F. Disney may, in its absolute discretion, waive some or all of the foregoing approval requirements upon written notice to Licensee.
- G. If and as applicable, the likenesses and product application of the characters used on or in connection with the Articles are subject to any third party approvals Disney deems necessary to obtain. Disney will act as the liaison with such third parties during the approval process.

6. APPROVAL OF PRODUCTION SAMPLES

- A. Unless advised by Disney in writing that Disney does not need to approve any given production sample(s), before shipping an Article to any customer, Licensee agrees to furnish to Disney, from the first production run of each supplier of each of the Articles, for Disney's approval of all aspects of the Article in question, the number of Samples with packaging which is hereinabove set forth, which shall conform to the approved artwork, three-dimensional models and pre-production sample. Approval or disapproval of the artwork as it appears on any SKU of the Article, as well as of the quality of the Article, shall lie in Disney's sole discretion and may, among other things, be based on unacceptable quality of the artwork or of the Article as manufactured. Any SKU of any Article not so approved shall be deemed unlicensed, shall not be sold and, unless otherwise agreed by Disney in writing, shall be destroyed. Such destruction shall be attested to in a certificate signed by one of Licensee's officers. Production samples of Articles for which Disney has approved a pre-production sample shall be deemed approved, unless within twenty (20) days of Disney's receipt of such production sample Disney notifies Licensee to the contrary. Any approval of a production sample attributable to Disney will not constitute or imply a representation or belief by Disney that such production sample complies with any applicable Laws.
- B. Licensee agrees to make available at no charge such additional samples of any or all SKUs of each Article as Disney may from time to time reasonably request for the purpose of comparison with earlier samples, or for Disney's anti-piracy efforts, or to test for compliance with applicable Laws, and to permit Disney to inspect Licensee's manufacturing operations and testing

records (and those of Licensee's Manufacturers) for the Articles in accordance with Paragraphs 11 and 24.

- C. Licensee acknowledges that Disney may disapprove any SKU of an Article or a production run of any SKU of an Article because the quality is unacceptable to Disney, and accordingly, Disney recommends that Licensee submit production samples to Disney for approval before committing to a large original production run or to purchase a large shipment from a new supplier.

- D. No modification of an approved production sample shall be made without Disney's further prior written approval. All SKUs of Articles being sold must conform in all respects to the approved production sample. It is understood that if in Disney's reasonable judgment the quality of any SKU of an Article originally approved has deteriorated in later production runs, or if the SKU has otherwise been altered, Disney may, in addition to other remedies available to Disney, by written notice require such SKU of the Article to be immediately withdrawn from the market.
- E. Licensee is authorized to sell Articles which do not meet the quality standards of approved samples provided that such Articles are clearly marked "irregular" and provided they have Licensee's uncut label on them. Such sales shall be reported separately and the quantity of any Articles sold as an irregular shall not exceed [\*]6 of the total of such Article sold during the Term. All other Articles not meeting the standard of approved samples shall be destroyed or all Licensed Material and Trademarks shall be removed or obliterated therefrom. If Licensee sells "irregulars" in excess of the [\*]7 limit set forth above, without limiting Disney's remedies hereunder, Licensee agrees to pay Disney Royalties on such sales as if such sales were regular sales at Licensee's normal selling price for Articles. In the event that Licensee is authorized to sell roll stock fabric as a supplier to any other Disney licensee, Licensee shall not be permitted, under any circumstances, to sell irregular roll stock fabric.
- F. Licensee shall only be entitled to sell and distribute irregulars through those Retailers expressly approved by Disney, said sales to be made in accordance with non-price terms and conditions specified by Disney.

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(6) Confidential portions omitted and filed separately with the Commission.

(7) Confidential portions omitted and filed separately with the Commission.

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Accordingly, prior to selling and/or distributing any irregulars to an authorized Retailer, Licensee shall provide Disney with such information as Disney may request, to allow Disney to determine whether such Retailer(s) have, in Disney's absolute discretion, sufficient standards of quality and a general business reputation acceptable to Disney. Licensee shall provide all available information to Disney when requesting approval of a potential Retailer of irregulars. Disney shall have the right, in its absolute discretion, to revoke any approval previously made with respect to a Retailer of irregulars.

- G. Articles may be classified as "irregulars" if there is an irregularity (e.g., minor snag) in the fabric, but no "seconds" or unsafe Articles may be sold whatsoever. In addition, Articles flawed in the way in which the Licensed Material is applied or depicted due to defective inking, printing, coloring, etc., of the Licensed Material may not be sold as "irregulars" pursuant to the foregoing, and instead must be immediately destroyed (such destruction to be attested to in a certificate signed by one of Licensee's officers.)
- H. Licensee is responsible for the consistent quality and safety of the Articles and their compliance with applicable Laws. Disney will not unreasonably object to any change in the

design of an Article or in the materials used in the manufacture of the Article or in the process of manufacturing the Articles which Licensee advises Disney in writing is intended to make the Article safer or more durable.

- I. Disney shall have the right, by written notice to Licensee, to require modification of any SKU of any Article approved by Disney under this or any previous agreement between the parties pertaining to Licensed Material. Likewise, if the Term of this Agreement is extended by mutual agreement, Disney shall have the right, by written notice to Licensee, to require modification of any SKU of any Article approved by Disney under this Agreement. It is understood that there is no obligation upon either party to extend the Agreement.
- J. If Disney notifies Licensee of a required modification under Paragraph 6.I. with respect to any SKU of a particular Article, such notification shall advise Licensee of the nature of the changes required, and Licensee shall not accept any order for any such Article until the subject SKU has been resubmitted to Disney with such changes and Licensee has received Disney's written approval of the Article as modified. However, Licensee may continue to distribute Licensee's inventory of the previously approved Articles until such inventory is exhausted (unless such Articles are

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dangerously defective or are alleged to be violative of any third party rights, as determined by Disney).

- K. Upon Disney's request, Licensee agrees to give Disney written notice of the first ship date for each Article.
  - L. If Disney has inadvertently approved a concept, pre-production sample, or production sample of a product which is not included in the Articles under this Agreement, or if Disney has inadvertently approved an Article using artwork and/or trademarks not included in the Agreement, such approval may be revoked at any time without any obligation whatsoever on Disney's part to Licensee. Any such product as to which Disney's approval is revoked shall be deemed unauthorized and shall not be distributed or sold by or for Licensee.
7. APPROVAL OF PACKAGING, PROMOTIONAL MATERIAL, AND ADVERTISING
- A. All containers, packaging, display material, promotional material, catalogs, and all advertising, including but not limited to, television advertising and press releases, for Articles must be submitted to Disney and receive Disney's written approval before use. To avoid unnecessary expense if changes are required, Disney's approval thereof should be procured when such is still in rough or storyboard format. Disney shall endeavor to respond to requests for approval within a reasonable time. Approval or disapproval shall lie in Disney's sole discretion, and the use of unapproved containers, packaging, display material, promotional material, catalogs or advertising is prohibited. Disney's approval of any containers, packaging, display material, promotional material, catalogs or advertising under this Agreement will not constitute or imply a representation or belief by Disney that such materials comply with any applicable Laws. Whenever Licensee prepares catalog sheets or other printed matter containing illustrations of Articles, Licensee will furnish to Disney five (5) copies thereof when they are published.

- B. If Disney has supplied Licensee with forms for use in applying for approval of materials referenced in this Paragraph 7, Licensee shall use such forms when submitting anything for Disney's approval.
- C. Disney has designed character artwork and/or a brand name logo(s) to be used by all licensees in connection with the packaging of all merchandise using the Licensed Material, and, if applicable, on hang tags and garment

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labels for such merchandise. Disney will supply Licensee with reproduction artwork thereof, and Licensee agrees to use such artwork and/or logo(s) on the packaging of the Articles, and, if applicable, on hang tags and garment labels, which Licensee will have printed and attached to each Article at Licensee's cost. Disney recommends that Licensee source the hang tags and garment labels from Disney's authorized manufacturer (if any) of pre-approved hang tags and garment labels, the name of which will be provided to Licensee upon request. However, Licensee may use another manufacturer for the required hang tags and garment labels if the hang tags and garment labels manufactured are of equivalent quality and are approved by Disney in accordance with Disney's usual approval process.

#### 8. ARTWORK

Licensee shall pay Disney, within thirty (30) days of receiving an invoice therefor, for Style Guides and for artwork done at Licensee's request by Disney or third parties under contract to Disney in the development and creation of Articles, display, packaging or promotional material (including any artwork which in Disney's opinion is necessary to modify artwork initially prepared by Licensee and submitted to Disney for approval, subject to Licensee's prior written approval) at Disney's then prevailing commercial art rates. Estimates of artwork charges are available upon request. While Licensee is not obligated to utilize the services of Disney's Art Department, Licensee is encouraged to do so in order to minimize delays which may occur if outside artists do renditions of Licensed Material which Disney cannot approve and to maximize the attractiveness of the Articles. Artwork will be returned to Licensee by overnight courier, at Licensee's cost (unless other arrangements are made).

#### 9. PRINT, RADIO OR TV ADVERTISING

Licensee will obtain all approvals necessary in connection with print, radio or television advertising, if any, which Disney may authorize. Licensee represents and warrants that all advertising and promotional materials shall comply with all applicable Laws. Disney's approval of copy or storyboards for such advertising will not constitute or imply a representation or belief by Disney that such copy or storyboards comply with any applicable Laws. This Agreement does not grant Licensee any rights to use the Licensed Material in animation. Licensee may not use any animation or live action footage from the Property from which the Licensed Material comes without Disney's prior written approval in each instance. In the event Disney approves the use of film clips of the Property from which the Licensed Material comes, for use in a television commercial, Licensee shall be responsible for any re-use fees which may be applicable, including SAG payments

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for talent. No reproduction of the film clip footage shall be made except for inclusion, as approved by Disney, in such commercial and there shall be no modifications of the film clip footage. All film clip footage shall be returned to Disney immediately after its inclusion in such commercial. Disney shall have the right to prohibit Licensee from advertising the Articles by means of television and/or billboards. Such right shall be exercised within Disney's absolute discretion, including without limitation for reasons of overexposure of the Licensed Material.

10. LICENSEE NAME AND ADDRESS ON ARTICLES

- A. Licensee's name, trade name (or Licensee's trademark which Licensee has advised Disney in writing that Licensee is using) and Licensee's address (at least city and state) will appear on permanently affixed labeling on each Article or, if the Article is sold to the public in packaging or a container, printed on such packaging or a container so that the public can identify the supplier of the Article. On soft goods "permanently affixed" shall mean sewn on; however, permanently affixed stick-on labeling will be acceptable on certain Articles as approved by Disney. RN numbers do not constitute a sufficient label under this paragraph.
- B. Licensee shall advise Disney in writing of all trade names or trademarks Licensee wishes to use on Articles being sold under this license. Licensee may sell the Articles only under mutually agreed upon trade names or trademarks.

11. COMPLIANCE WITH APPROVED SAMPLES AND APPLICABLE LAWS AND STANDARDS

- A. Licensee covenants that each Article and component thereof distributed hereunder shall be of good quality and free of defects in design, materials and workmanship, and shall comply with all applicable Laws, and such specifications, if any, as may have been specified in connection with this Agreement (e.g., Disney's Apparel Performance Specification Manual, if the Articles are items of apparel), and shall conform to the Sample thereof approved by Disney. Licensee covenants that it will comply with all applicable Laws in performing this Agreement, including but not limited to, those pertaining to the manufacture, pricing, sale and distribution of the Articles.

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- B. Without limiting the foregoing, Licensee covenants on behalf of Licensee's own manufacturing facilities, and agrees to require all Manufacturers to covenant by signing the Consent/Manufacturer's Agreement (referenced in Paragraph 24), as follows:
  - (1) Licensee and the Manufacturers agree not to use child labor in the manufacturing, packaging or distribution of Disney merchandise. The term "child" refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed in the manufacturing, packaging or distribution of Disney merchandise. Licensee and the Manufacturers employing young persons who do not fall within the definition of "children" agree also to comply with any Laws

applicable to such persons.

- (2) Licensee and the Manufacturers agree only to employ persons whose presence is voluntary. Licensee and the Manufacturers agree not to use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.
- (3) Licensee and the Manufacturers agree to treat each employee with dignity and respect, and not to use corporal punishment, threats of violence, or other forms of physical, sexual, psychological or verbal harassment or abuse.
- (4) Unless required by applicable Laws to treat a specific group of employees differently, Licensee and the Manufacturers agree not to discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination, or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.
- (5) Licensee and the Manufacturers recognize that wages are essential to meeting employees' basic needs. Licensee and Manufacturers agree to comply, at a minimum, with all applicable wage and hour Laws, including minimum wage, overtime, maximum hours, piece rates and other elements of compensation, and to provide legally mandated benefits. If local Laws do not provide for overtime pay, Licensee and

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Manufacturers agree to pay at least regular wages for overtime work. Except in extraordinary business circumstances, Licensee and the Manufacturers will not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by local law, or, where local law does not limit the hours of work, the regular work week in such country plus 12 hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled to at least one day off in every seven-day period. Licensee and the Manufacturers agree that, where local industry standards are higher than applicable legal requirements, they will meet the higher standards.

- (6) Licensee and the Manufacturers agree to provide employees with a safe and healthy workplace in compliance with all applicable Laws, ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation. Licensee and the Manufacturers also agree to ensure that the same standards of health and safety are applied in any housing they provide for employees. Licensee and the Manufacturers agree to provide Disney with all information Disney may request about manufacturing, packaging and distribution facilities for the Articles.
- (7) Licensee and the Manufacturers agree to respect



the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference, in accordance with applicable Laws.

- (8) Licensee and the Manufacturers agree to comply with all applicable environmental Laws.
- (9) Licensee and the Manufacturers agree to comply with all applicable Laws, including those pertaining to the manufacture, pricing, sale and distribution of the Articles.
- (10) Licensee and the Manufacturers agree that Disney and its designated agents (including third parties) may engage in monitoring activities to confirm compliance with this Paragraph 11, including unannounced on-site inspections of manufacturing, packaging and distribution facilities, and employer-provided housing, such inspections to include reviews of books and

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records relating to employment matters and private interviews with employees. Licensee and the Manufacturers agree to maintain on site all documentation necessary to demonstrate compliance with this Paragraph 11. Licensee agrees to promptly reimburse Disney for the actual costs of inspections performed pursuant to this Paragraph 11 when any of Licensee's manufacturing facilities or any Manufacturer does not pass the inspection(s).

- (11) Licensee and the Manufacturers agree to take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of the Code of Conduct for Manufacturers (copy attached) in the local language and in a place readily accessible to employees at all times.
- C. Licensee agrees to take appropriate steps, in consultation with Disney, to develop, implement and maintain procedures to evaluate and monitor the Manufacturers it uses to manufacture the Articles or components thereof, and to ensure compliance with Paragraph 11.B., including but not limited to, unannounced on-site inspections of manufacturing, packaging and distribution facilities and employer-provided housing, reviews of books and records relating to employment matters and private interviews with employees.
  - D. Both before and after Licensee puts Articles on the market, Licensee shall follow reasonable and proper procedures for testing that Articles comply with all applicable product safety Laws, and shall permit Disney's designees to inspect testing, manufacturing and quality control records and procedures and to test the Articles for compliance with product safety and other applicable Laws. Licensee agrees to promptly reimburse Disney for the actual costs of such testing. Licensee shall also give due consideration to any recommendations by Disney that Articles exceed the requirements of applicable Laws. Articles not manufactured, packaged or distributed in accordance with applicable Laws shall be deemed unapproved, even if previously approved by Disney, and shall not be shipped unless and until they have

been brought into full compliance therewith.

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## 12. DISNEY OWNERSHIP OF ALL RIGHTS IN LICENSED MATERIAL

Licensee acknowledges that the copyrights and all other proprietary rights in and to Licensed Material are exclusively owned by and reserved to Disney, or its licensors if applicable to any Property. Licensee shall neither acquire nor assert copyright ownership or any other proprietary rights in the Licensed Material or in any derivation, adaptation, variation or name thereof. Without limiting the foregoing, Licensee hereby assigns to Disney all Licensee's worldwide right, title and interest in the Licensed Material and in any material objects consisting of or to the extent that they incorporate drawings, paintings, animation cels, or sculptures of Licensed Material, or other adaptations, compilations, collective works, derivative works, variations or names of Licensed Material, heretofore or hereafter created by or for Licensee or any of Licensee's Affiliates. All such new materials shall be included in the definition of "Licensed Material" under this Agreement. If any third party makes or has made any contribution to the creation of any new materials which are included in the definition of Licensed Material under this Paragraph 12, Licensee agrees to obtain from such party a full assignment of rights so that the foregoing assignment by Licensee shall vest full rights to such new materials in Disney. Licensee further covenants that any such new materials created by Licensee or by any third party Licensee has engaged are original to Licensee or such third party and do not violate the rights of any other person or entity; this covenant regarding originality shall not extend to any materials Disney supplies to Licensee, but does apply to all materials Licensee or Licensee's third party contractors may add thereto.

## 13. COPYRIGHT NOTICE

As a condition to the grant of rights hereunder, each Article and any other matter containing Licensed Material shall bear a properly located permanently affixed copyright notice in Disney's name (e.g., "C Disney"), or such other notice as Disney specifies to Licensee in writing. Licensee will comply with such instructions as to form, location and content of the notice as Disney may give from time to time. Licensee will not, without Disney's prior written consent, affix to any Article or any other matter containing Licensed Material a copyright notice in any other name. If through inadvertence or otherwise a copyright notice on any Article or other such matter should appear in Licensee's name or the name of a third party, Licensee hereby agrees to assign to Disney the copyright represented by any such copyright notice in Licensee's name and, upon request, cause the execution and delivery to Disney of whatever documents are necessary to convey to Disney that copyright represented by any such copyright notice. If by inadvertence a proper copyright notice is omitted from any Article or other matter containing Licensed Material, Licensee agrees at Licensee's expense to use all

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reasonable efforts to correct the omission on all such Articles or other matter in process of manufacture or in distribution. Licensee agrees to advise Disney promptly and in writing of the steps being taken to correct any such omission and to make the corrections on existing Articles which can be located.

## 14. NON-ASSOCIATION OF OTHER FANCIFUL

## CHARACTERS WITH LICENSED MATERIAL

To preserve Disney's identification with Disney's characters and to avoid confusion of the public, Licensee agrees not to associate other characters or licensed properties with the Licensed Material or the Trademarks either on the Articles or in their packaging, or, without Disney's written permission, on advertising, promotional or display materials. If Licensee wishes to use a character which constitutes Licensee's trademark on the Articles or their packaging, or otherwise in connection with the Articles, Licensee agrees to obtain Disney's prior written permission.

### 15. ACTIVE MARKETING OF ARTICLES

Licensee agrees to manufacture (or have manufactured for Licensee) and actively offer for sale all the Articles and to actively exercise the rights granted herein. Licensee agrees that by the Marketing Date applicable to a particular Article or, if such a date is not specified in Paragraph 1.O., by six (6) months from the commencement of the term of the applicable Schedule or the date of any applicable amendment, shipments to customers of such Article will have taken place in sufficient time that such Article shall be available for purchase in commercial quantities by the public at the retail outlets in all distribution channels authorized pursuant to Paragraph 2.A. In any case in which such sales have not taken place or when the Article is not then and thereafter available for purchase in commercial quantities by the public, Disney may either invoke Disney's remedies under Paragraph 28, or withdraw such Article from the list of Articles licensed in this Agreement, or withdraw the applicable distribution channel, or withdraw such Article from the applicable Schedule, without obligation to Licensee other than to give Licensee written notice thereof.

### 16. PROMOTION COMMITMENT

Licensee agrees to carry out the Promotion Commitment, if any, as defined in Paragraph 1.N.

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### 17. TRADEMARK RIGHTS AND OBLIGATIONS

- A. All uses of the Trademarks by Licensee hereunder shall inure to Disney's benefit. Licensee acknowledges that Disney (or its licensors, if applicable) is the exclusive owner of all the Trademarks, and of any trademark incorporating all or any part of a Trademark or any Licensed Material, and the trademark rights created by such uses. Without limiting the foregoing, Licensee hereby assigns to Disney all the Trademarks, and any trademark incorporating all or any part of a Trademark or any Licensed Material, and the trademark rights created by such uses, together with the goodwill attaching to that part of the business in connection with which such Trademarks or trademarks are used. Licensee agrees to execute and deliver to Disney such documents as Disney requires to register Licensee as a Registered User or Permitted User of the Trademarks or such trademarks and to follow Disney's instructions for proper use thereof in order that protection and/or registrations for the Trademarks and such trademarks may be obtained or maintained.
- B. Licensee agrees not to use any Licensed Material or Trademarks, or any trademark incorporating all or any part of a Trademark or of any Licensed Material, on any business sign, business cards, stationery or forms (except as licensed herein), or to use any Licensed Material or Trademark as the name of Licensee's business or any division thereof, unless otherwise agreed by Disney in writing.

- C. Nothing contained herein shall prohibit Licensee from using Licensee's own trademarks on the Articles or Licensee's copyright notice on the Articles when the Articles contain independent material which is Licensee's property. Nothing contained herein is intended to give Disney any rights to, and Disney shall not use, any trademark, copyright or patent used by Licensee in connection with the Articles which is not derived or adapted from Licensed Material, Trademarks, or other materials owned by Disney (or its licensors, if applicable).

## 18. REGISTRATIONS

Except with Disney's written consent, neither Licensee nor any of Licensee's Affiliates will register or attempt in any country to register copyrights in, or to register as a trademark, service mark, design patent or industrial design, or business designation, any of the Licensed Material, Trademarks or derivations or adaptations thereof, or any word, symbol or design which is so similar thereto as to suggest association with or sponsorship by Disney or any of Disney's Affiliates.

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In the event of breach of the foregoing, Licensee agrees, at Licensee's expense and at Disney's request, immediately to terminate the unauthorized registration activity and promptly to execute and deliver, or cause to be delivered, to Disney such assignments and other documents as Disney may require to transfer to Disney all rights to the registrations, patents or applications involved.

## 19. UNLICENSED USE OF LICENSED MATERIALS

- A. Licensee agrees that Licensee will not use the Licensed Material, or the Trademarks, or any other material the copyright to which is owned by Disney in any way other than as herein authorized (or as is authorized in any other written contract in effect between the parties). In addition to any other remedy Disney may have, Licensee agrees that all revenues from any use thereof on products other than the Articles (unless authorized by Disney in writing), and all revenues from the use of any other copyrighted material of Disney's (or its licensors', if applicable) without written authorization, shall be immediately payable to Disney.
- B. Licensee agrees to give Disney prompt written notice of any unlicensed use by third parties of Licensed Material or Trademarks, and that Licensee will not, without Disney's written consent, bring or cause to be brought any criminal prosecution, lawsuit or administrative action for infringement, interference with or violation of any rights to Licensed Material or Trademarks. Because of the need for and the high costs of an effective anti-piracy enforcement program, Licensee agrees to cooperate with Disney, and, if necessary, to be named by Disney as a sole complainant or co-complainant in any action against an infringer of the Licensed Material or Trademarks and, notwithstanding any right of Licensee to recover same, legal or otherwise, Licensee agrees to pay to Disney, and hereby waives all claims to, all damages or other monetary relief recovered in such action by reason of a judgment or settlement whether or not such damages or other monetary relief, or any part thereof, represent or are intended to represent injury sustained by Licensee as a licensee hereunder; in any such action against an infringer, Disney agrees to reimburse Licensee for reasonable expenses incurred at Disney's request, including reasonable attorney's fees if Disney has

requested Licensee to retain separate counsel.

20. STATEMENTS AND PAYMENTS OF ROYALTIES

- A. Licensee agrees to furnish to Disney by the 25th day after each Royalty Payment Period full and accurate statements on statement forms Disney designates for Licensee's use, showing all information requested by such

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forms separately for each Property licensed hereunder, including but not limited to, the name of the subject Property, the quantities, Net Invoiced Billings and applicable Royalty rate(s) of Articles using Licensed Material from such Property invoiced during the preceding Royalty Payment Period, and the quantities and invoice value of Articles returned for credit or refund in such period. At the same time Licensee will pay Disney all Royalties and CMF payments (if applicable) due on billings shown by such statements. To the extent that any Royalties or CMF payments are not paid, Licensee authorizes Disney to offset Royalties and/or CMF payments due against any sums which Disney or any of Disney's Affiliates may owe to Licensee or any of Licensee's Affiliates. No deduction or withholding from Royalties payable to Disney shall be made by reason of any tax. Any applicable tax on the manufacture, distribution and sale of the Articles shall be borne by Licensee.

- B. The statement forms Disney designates for Licensee's use may be changed from time to time, and Licensee agrees to use the most current form designated by Disney provides to Licensee (including for example, forms to be sent by electronic transmission). If it is necessary for Licensee to adapt its system to be able to report statements by electronic transmission, all costs of such adaptation shall be borne entirely by Licensee. Licensee agrees to fully comply with all instructions supplied by Disney for completing any reporting forms, or adhering to any required format.
- C. In addition to the other information requested by the statement forms, and any special requirements stated in the applicable Schedule for any Property licensed hereunder, Licensee's statement shall with respect to all Articles report separately:
- (1) F.O.B. In Sales;
  - (2) F.O.B. Out Sales;
  - (3) sales of Articles outside the Territory pursuant to a distribution permission (indicating the country involved);
  - (4) Licensee's sales of Articles to any of Disney's licensees or Disney's Affiliates' licensees who are licensed to sell the Articles, and who are reselling such Articles and paying Disney royalties on such resales; in such cases, Licensee needs only report the sales on the statements, because double royalties are not owed to Disney on these sales;

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- (5) sales of Articles to Disney or any of Disney's Affiliates;
  - (6) sales of Articles to Licensee's or Disney's employees;
  - (7) sales of Articles using Licensed Material from each brand or program, motion picture, television series and other Property identified in Paragraph 1.B. hereinabove or in any Schedule attached hereto;
  - (8) sales of Articles to or for distribution through any mail order catalogs approved under this Agreement.
- D. Sales of items licensed under contracts with Disney other than this Agreement shall not be reported on the same statement as sales of Articles under this Agreement.
- E. Licensee's statements and payments, including all Royalties, shall be delivered to Wachovia South Metro Center, DEI Account, P.O. Box 101947, Atlanta, Georgia 30392. A copy of each statement must be sent to Disney at 500 South Buena Vista Street, Burbank, California 91521- 6687, to the attention of the Contract Administrator, Consumer Products Division. If Licensee wishes to send statements and payments by overnight courier, please use the following address: Wachovia South Metro Center, DEI Account, 3585 Atlanta Avenue, Hapeville, GA 30354, Attention Peggy Morris, Reference Lock box 101947. However, Advances should be mailed directly to Disney at 500 South Buena Vista Street, Burbank, California 91521-6687, to the attention of the Contract Administrator or Legal Department, Consumer Products Division.
- F. Licensee shall take all necessary steps to ensure that its information systems, including without limitation, all its proprietary and all third party hardware and software, process dates correctly prior to, during and after the calendar year 2000 ("Year 2000 Compliance"). Year 2000 Compliance shall include, without limitation, correct century recognition, calculations that properly accommodate same century and multi-century formulas and date values, and interface values that reflect the appropriate century. Necessary steps to ensure Year 2000 Compliance shall include, without limitation, analysis of all components of Licensee's information systems and, as necessary, development, installation and testing of software fixes, patches and/or updates. In a timely manner, but no later than by December 31, 1998, Licensee shall certify to Disney in writing that its information systems are Year 2000 Compliant. Such certification is a

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material term of this Agreement. Upon a breach by Licensee of its obligation under this paragraph, Disney shall be entitled to terminate this Agreement in accordance with the provisions for termination set forth herein.

- G. Licensee has represented to Disney that its monthly statements will be reported on an as close to actual basis, but that certain adjustments may be necessary. Therefore, on a calendar quarterly basis, Licensee shall be permitted to reconcile the preceding three (3) months statements to actuals, subject to providing to Disney appropriate

supporting documentation for any resulting adjustment to the prior statements.

## 21. CONFIDENTIALITY

Licensee represents and warrants that Licensee did not disclose to any third party the prospect of a license from Disney, and that Licensee did not trade on the prospect of a license from Disney, prior to full execution of this Agreement. Licensee agrees to keep the terms and conditions of this Agreement confidential, and Licensee shall not disclose such terms and conditions to any third party without obtaining Disney's prior written consent; provided, however, that this Agreement may be disclosed on a need-to-know basis to Licensee's attorneys and accountants who agree to be bound by this confidentiality provision. In addition, Licensee may have access to information concerning Disney's and/or its Affiliates' business and operations, and/or information concerning works in progress, artwork, plots, characters or other matters relating to Disney's and/or its Affiliates' artistic creations, which information may not be accessible or known to the general public. Licensee agrees not to use or disclose such information to any third party without obtaining Disney's prior written consent.

## 22. INTEREST

Royalties or any other payments due to Disney hereunder which are received after the due date shall bear interest at the rate of 18% per annum from the due date (or the maximum permissible by law if less than 18%).

## 23. AUDITS AND MAINTAINING RECORDS

A. Licensee agrees to keep accurate records of all transactions relating to this Agreement and any prior agreement with Disney regarding the Licensed Material, including, without limitation, shipments to Licensee of Articles and components thereof, inventory records, records of sales and shipments by Licensee, and records of returns, and to preserve such records for the

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lesser of seven (7) years or two (2) years after the expiration or termination of this Agreement.

B. Disney, or Disney's representatives, shall have the right from time to time, during Licensee's normal business hours, but only for the purpose of confirming Licensee's performance hereunder, to examine and make extracts from all such records, including the general ledger, invoices and any other records which Disney reasonably deems appropriate to verify the accuracy of Licensee's statements or Licensee's performance hereunder, including records of Licensee's Affiliates and/or any unaffiliated sublicensees if they are involved in activities which are the subject of this Agreement. In particular, Licensee's invoices shall identify the Articles separately from goods which are not licensed hereunder. Licensee acknowledges that Disney may furnish Licensee with an audit questionnaire, and Licensee agrees to fully and accurately complete such questionnaire, and return it to Disney within the designated time. Disney's use of an audit questionnaire shall not limit Disney's ability to conduct any on-site audit(s) as provided above. Licensee acknowledges that an audit conducted by Disney or its representatives, may involve one or more license agreements at a time.

C. If in an audit of Licensee's records it is determined that

there is a short fall of five percent (5%) or more in Royalties reported for any Royalty Payment Period, Licensee shall upon request from Disney reimburse Disney for the full out-of-pocket costs of the audit, including the costs of employee auditors calculated at \$60 per hour per person for travel time during normal working hours and actual working time.

- D. If Licensee has failed to keep adequate records for one or more Royalty Payment Periods, Disney will assume that the Royalties owed to Disney for such Royalty Payment Period(s) are equal to a reasonable amount, determined in Disney's absolute discretion, which may be up to but will not exceed the highest Royalties owed to Disney in a Royalty Payment Period for which Licensee has kept adequate records; if Licensee has failed to keep adequate records for any Royalty Payment Period, Disney will assume a reasonable amount of Royalties which Licensee will owe to Disney, based on the records Licensee has kept and other reasonable assumptions Disney deems appropriate.

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#### 24. MANUFACTURE OF ARTICLES BY THIRD PARTY MANUFACTURERS

- A. Licensee agrees to supply Disney with the names and addresses of all of its own manufacturing facilities for the Articles. If Licensee at any time desires to have Articles or components thereof containing Licensed Material and/or Trademarks manufactured by a third party, whether the third party is located within or outside the United States, Licensee must, as a condition to the continuation of this Agreement, notify Disney of the accurate name and complete address of such Manufacturer and the Articles or components involved and obtain Disney's prior written permission to do so. If Disney is prepared to grant permission, Disney will do so if Licensee and each of Licensee's Manufacturers sign a Consent/Manufacturer's Agreement in a form which Disney will furnish to Licensee and Disney receives all such agreements properly signed.

(A SAMPLE OF SAID AGREEMENT FORM IS AVAILABLE ON REQUEST)

- B. It is not Disney's policy to reveal the names of Licensee's Manufacturers to third parties or to any Disney division involved with buying products, except as may be necessary to enforce Disney's contract rights or protect Disney's trademarks and copyrights.
- C. If any such Manufacturer utilizes Licensed Material or Trademarks for any unauthorized purpose, Licensee shall cooperate fully in bringing such utilization to an immediate halt. If, by reason of Licensee's not having supplied the above mentioned agreements to Disney or not having given Disney the name of any Manufacturer, Disney makes any representation or takes any action and is thereby subjected to any penalty or expense, Licensee will fully compensate Disney for any cost or loss Disney sustains (in addition to any other legal or equitable remedies available to Disney).
- D. If any Manufacturer fails to pass a compliance inspection as referenced in Paragraph 11, and thereafter fails to remedy the cited failure(s) within the time designated by Disney, or if the Manufacturer otherwise breaches the Consent/Manufacturer's Agreement, the Consent/Manufacturer's Agreement for such Manufacturer may be terminated immediately by Disney, and Licensee shall not thereafter use such Manufacturer to manufacture Articles or components thereof.



25. INDEMNITY

- A. Licensee shall indemnify Disney during and after the term hereof against all claims, demands, suits, judgments, losses, liabilities (including settlements entered into in good faith with Licensee's consent, not to be unreasonably withheld) and expenses of any nature (including reasonable attorneys' fees) arising out of Licensee's activities under this Agreement, including but not limited to, any actual or alleged: (1) negligent acts or omissions on Licensee's part, (2) defect (whether obvious or hidden and whether or not present in any Sample approved by Disney) in an Article, (3) personal injury, (4) infringement of any rights of any other person by the manufacture, sale, possession or use of Articles, (5) breach on Licensee's part of any covenant, representation or warranty contained in this Agreement, or (6) failure of the Articles or by Licensee to comply with applicable Laws. The parties indemnified hereunder shall include Disney Enterprises, Inc., its licensors, if applicable, and its and their parent, Affiliates and successors, and its and their officers, directors, employees and agents. The indemnity shall not apply to any claim or liability relating to any infringement of the copyright of a third party caused by Licensee's utilization of the Licensed Material and the Trademarks in accordance with the provisions hereof, unless such claim or liability arises out of Licensee's failure to obtain the full assignment of rights referenced in Paragraph 12.
- B. Disney shall indemnify Licensee during and after the term hereof against all claims, demands, suits, judgments, losses, liabilities (including settlements entered into in good faith with Disney's consent, not to be unreasonably withheld) and expenses of any nature (including reasonable attorneys' fees) arising out of any claim that Licensee's use of any representation of the Licensed Material or the Trademarks approved in accordance with the provisions of this Agreement infringes the copyright of any third party or infringes any right granted by Disney to such third party, except for claims arising out of Licensee's failure to obtain the full assignment of rights referenced in Paragraph 12. Licensee shall not, in any case, be entitled to recover for lost profits.
- C. Additionally, if by reason of any claims referred to in Paragraph 25.B., Licensee is precluded from selling any stock of Articles or utilizing any materials in Licensee's possession or which come into Licensee's possession by reason of any required recall, Disney shall be obligated to purchase such Articles and materials from Licensee at their out-of-pocket cost to Licensee, excluding overheads, but Disney shall have no other responsibility or liability with respect to such Articles or materials.

- D. Disney gives no warranty or indemnity with respect to any liability or expense arising from any claim that use of the Licensed Material or the Trademarks on or in connection with the Articles hereunder or any packaging, advertising or promotional material infringes on any trademark right of any third party or otherwise constitutes unfair competition by

reason of any prior rights acquired by such third party, other than rights acquired from Disney. It is expressly agreed that it is Licensee's responsibility to carry out such investigations as Licensee may deem appropriate to establish that Articles, packaging, and promotional and advertising material which are manufactured or created hereunder, including any use made of the Licensed Material and the Trademarks therewith, do not infringe such right of any third party, and Disney shall not be liable to Licensee if such infringement occurs.

- E. Licensee and Disney agree to give each other prompt written notice of any claim or suit which may arise under the indemnity provisions set forth above. Without limiting the foregoing, Licensee agrees to give Disney written notice of any product liability claim made or suit filed with respect to any Article, any investigations or directives regarding the Articles issued by the Consumer Product Safety Commission ("CPSC") or other federal, state or local consumer safety agency, and any notices sent by Licensee to, or received by Licensee from, the CPSC or other consumer safety agency regarding the Articles within seven (7) days of Licensee's receipt or promulgation of the claim, suit, investigation, directive, or notice.

## 26. INSURANCE

Licensee shall maintain in full force and effect at all times while this Agreement and all Schedules entered into hereunder are in effect and for three years thereafter commercial general liability insurance on a per occurrence form, including broad form coverage for contractual liability, property damage, products liability and personal injury liability (including bodily injury and death), waiving subrogation, with minimum limits of no less than [\*](8) per occurrence, and naming as additional insureds those indemnified in Paragraph 25 hereof. Licensee also agrees to maintain in full force and effect at all times while this Agreement and all Schedules entered into hereunder are in effect such Worker's Compensation Insurance as is required by applicable law and Employer's Liability Insurance with minimum limits

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of [\*](9) per occurrence. All insurance shall be primary and not contributory. Licensee shall deliver to Disney a certificate or certificates of insurance evidencing satisfactory coverage and indicating that Disney shall receive thirty (30) days unrestricted prior written notice of cancellation, non-renewal or of any material change in coverage. Licensee's insurance shall be carried by an insurer with a BEST Guide rating of B + VII or better. Compliance herewith in no way limits Licensee's indemnity obligations, except to the extent that Licensee's insurance company actually pays Disney amounts which Licensee would otherwise pay Disney.

## 27. WITHDRAWAL OF LICENSED MATERIAL

Licensee agrees that Disney may, without obligation to Licensee other than to give Licensee written notice thereof, withdraw from the scope of this Agreement any Licensed Material which by the Marketing Date or, if such a date is not specified in Paragraph 1.O., by six (6) months from the commencement of the term of the applicable Schedule or the date of any applicable amendment, is not being used on or in connection with the Articles. Disney may also withdraw any Licensed Material or Articles the use or sale of which under this Agreement would infringe or reasonably be claimed to infringe the rights of a third party, other than rights granted by Disney, in which case

Disney's obligations to Licensee shall be limited to the purchase at cost of Articles and other materials utilizing such withdrawn Licensed Material which cannot be sold or used. In the case of any withdrawal under the preceding sentence, the Advances and Guarantees shall be adjusted to correspond to the time remaining in the term of the affected Schedule(s), or the number of Articles remaining under such Schedule(s), at the date of withdrawal.

28. TERMINATION

Without prejudice to any other right or remedy available to Disney:

- A. Disney shall have the right at any time to terminate this Agreement (or any Schedule(s) entered into hereunder) by giving Licensee written notice thereof, if Licensee fails to manufacture, sell and distribute the Articles in accordance with this Agreement, or fails to furnish statements and pay Royalties as herein provided, or fails to notify Disney of the accurate name and complete address of its own manufacturing facilities or any Manufacturer of the Articles, or fails to have any such Manufacturer execute the Consent/Manufacturer's Agreement, or if Licensee otherwise

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breaches the terms of this Agreement or any Schedule(s) hereto, and if any such failure or other breach is not corrected within fifteen (15) days after Disney sends Licensee written notice thereof.

- B. Disney shall have the right at any time to terminate this Agreement immediately by giving Licensee written notice thereof:
- (1) if Licensee delivers to any customer without Disney's written authorization merchandise containing representations of Licensed Material or other material the copyright or other proprietary rights to which are owned by Disney other than Articles listed herein and approved in accordance with the provisions hereof;
  - (2) if Licensee delivers Articles outside the Territory or knowingly sells Articles to a third party for delivery outside the Territory, unless pursuant to a written distribution permission or separate written license agreement with Disney or any of Disney's Affiliates;
  - (3) if a breach occurs which is of the same nature, and which violates the same provision of this Agreement, as a breach of which Disney has previously given Licensee written notice;
  - (4) if Licensee breaches any material term of any other license agreement between the parties, and Disney terminates such agreement for cause;
  - (5) if Licensee shall make any assignment for the benefit of creditors, or file a petition in bankruptcy, or is adjudged bankrupt, or becomes insolvent, or is placed in the hands of a receiver, or if the equivalent of any such

proceedings or acts occurs, though known by some other name or term;

- (6) if Licensee is not permitted or is unable to operate Licensee's business in the usual manner, or is not permitted or is unable to provide Disney with assurance satisfactory to Disney that Licensee will so operate Licensee's business, as debtor in possession or its equivalent, or is not permitted, or is unable to otherwise meet Licensee's obligations under this Agreement or to provide Disney with assurance satisfactory to Disney that Licensee will meet such obligations;

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- (7) if Licensee breaches any covenant set forth in Paragraph 11 of this Agreement; and/or
- (8) if more than three Consent/Manufacturer's Agreements are terminated in any twelve-month period by Disney for the Manufacturers' failure to pass compliance inspections as referenced in Paragraphs 11 and 24.

## 29. RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION

- A. Upon the expiration or termination of this Agreement, all rights herein granted to Licensee shall revert to Disney, any unpaid portion of the Guarantee shall be immediately due and payable, and Disney shall be entitled to retain all Royalties, CMF payments and other things of value paid or delivered to Disney. Licensee agrees that the Articles shall be manufactured during the term of each applicable Schedule in quantities consistent with anticipated demand therefor so as not to result in an excessive inventory build-up immediately prior to the end of the term thereof. Licensee agrees that from the expiration or termination of this Agreement Licensee shall neither manufacture nor have manufactured for Licensee any Articles, that Licensee will deliver to Disney any and all artwork (including Style Guides, animation cels and drawings) which may have been used or created by Licensee in connection with this Agreement, that Licensee will at Disney's option either sell to Disney at cost or destroy or efface any molds, plates and other items used to reproduce Licensed Material or Trademarks, and that, except as hereinafter provided, Licensee will cease selling Articles. Any unauthorized distribution of Articles after the expiration or termination of this Agreement or any applicable Schedule shall constitute copyright infringement.
- B. If Licensee has any unsold Articles in inventory on the expiration or termination date of the applicable Schedule, Licensee shall provide Disney with a full statement of the kinds and numbers of such unsold Articles. If such statement has been provided to Disney and if Licensee has fully complied with the terms of this Agreement, including the payment of all Royalties due and the Guarantee, upon notice from Disney Licensee shall have the right for a limited period of three (3) calendar months from such expiration or earlier termination date to sell off and deliver such Articles as authorized under Paragraph 2.A. Licensee shall furnish Disney statements covering such sales and pay Disney Royalties in respect of such sales. Such Royalties shall not be applied against the Advance or towards

meeting the Guarantee. All rights and remedies available to Disney during the Term shall be equally available to Disney during the sell-off periods.

- C. In recognition of Disney's interest in maintaining a stable and viable market for the Articles during and after the Term and any sell-off period, Licensee agrees to refrain from "dumping" the Articles in the market during any sell-off period granted to Licensee. "Dumping" shall mean the distribution of product at volume levels significantly above Licensee's prior sales practices with respect to the Articles, and at price levels so far below Licensee's prior sales practices with respect to the Articles as to disparage the Articles; provided, however, that nothing contained herein shall be deemed to restrict Licensee's ability to set product prices at Licensee's discretion.
- D. Except as otherwise agreed by Disney in writing, any inventory of Articles in Licensee's possession or control after the expiration or termination of the term of the applicable Schedule hereof and of any sell-off period granted hereunder shall be destroyed, or all Licensed Material and Trademarks removed or obliterated therefrom.
- E. If Disney supplies Licensee with forms regarding compliance with this Paragraph 29, Licensee agrees to complete, execute and return such forms to Disney expeditiously. Licensee acknowledges that this will be necessary at the end of the term of each Schedule entered into under this Agreement.
- F. Notwithstanding any provision to the contrary, in the case of termination under Paragraph 28.B. (5) or (6), in order to protect the value of the Articles and to avoid any disparagement of the Articles which could occur as a result of the circumstances of termination, Disney shall have the option, in Disney's absolute discretion, to purchase any or all unsold Articles in Licensee's inventory on the termination date at [\*]10 over Licensee's cost of goods for such Articles (not including overhead).

### 30. WAIVERS

A waiver by either party at any time of a breach of any provision of this Agreement shall not apply to any breach of any other provision of this Agreement, or imply that a breach of the same provision at any other time has been or will be waived, or that this Agreement has been in any way amended, nor shall any failure

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(10) Confidential portions omitted and filed separately with the Commission.

by either party to object to conduct of the other be deemed to waive such party's right to claim that a repetition of such conduct is a breach hereof.

### 31. PURCHASE OF ARTICLES BY DISNEY

If Disney wishes to purchase Articles, Licensee agrees to sell such Articles to Disney or any of Disney's Affiliates at as low a price as Licensee charges for similar quantities sold to Licensee's regular customers and to pay Disney Royalties on any such sales.

32. NON-ASSIGNABILITY

A. This Agreement is personal to Licensee, who was specifically chosen by Disney to be licensed hereunder because of Licensee's particular expertise and ability to perform the Agreement. Licensee shall not voluntarily or by operation of law assign, sub-license, transfer, encumber or otherwise dispose of all or any part of Licensee's interest in this Agreement (including, but not limited to, any encumbrance of the Articles) without Disney's prior written consent, to be granted or withheld in Disney's absolute discretion. Any attempted assignment, sub-license, transfer, encumbrance or other disposal without such consent shall be void and shall constitute a material default and breach of this Agreement. "Transfer" within the meaning of this Paragraph 32 shall include any merger or consolidation involving Licensee or any directly or indirectly controlling Affiliate(s) of Licensee ("Controlling Affiliate"); any sale or transfer of all or substantially all of Licensee's or its Controlling Affiliate(s)' assets; any transfer of Licensee's rights and/or obligations hereunder to a division, business segment or other entity different from the one specifically referenced on page 1 hereof (or any sale or attempted sale of Articles under a trademark or trade name of such division, business segment or other entity); any public offering, or series of public offerings, whereby a cumulative total of thirty-three and one-third percent (33 1/3%) or more of the voting stock of Licensee or its Controlling Affiliate(s) is offered for purchase; and any acquisition, or series of acquisitions, by any person or entity, or group of related persons or entities, of a cumulative total of thirty-three and one-third percent (33-1/3%) or more of the voting stock of Licensee or its Controlling Affiliate(s), or the right to vote such percentage (or, if Licensee is a partnership, resulting in the transfer of thirty-three and one-third percent (33 1/3%) or more of the profit and loss participation in Licensee, or the occurrence of any of the foregoing with respect to any general partner of Licensee).

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[\*]11

B. Licensee agrees to provide Disney with at least thirty (30) days prior written notice of any desired assignment of this Agreement or other transfer as defined in Paragraph 32.A. At the time Licensee gives such notice, Licensee shall provide Disney with the information and documentation necessary to evaluate the contemplated transaction. Disney's consent (if given) to any assignment of this Agreement or other transfer as defined in Paragraph 32.A. shall be subject to such terms and conditions as Disney deems appropriate, including but not limited to, payment of a transfer fee. The amount of the transfer fee shall be determined by Disney based upon the circumstances of the particular assignment or transfer, taking into account such factors as the estimated value of the license being assigned or otherwise transferred; the risk of business interruption or loss of quality, production or control Disney may suffer as a result of the assignment or other transfer; the identity, reputation, creditworthiness, financial condition and business capabilities of the proposed assignee or other entity involved in the transfer; and Disney's internal costs related to the assignment or other

transfer; provided, however, in no event shall the transfer fee be in an amount less than [\*]12. The foregoing transfer fee shall not apply if this Agreement is assigned to one of Licensee's Affiliates as part of a corporate reorganization exclusively among some or all of the entities existing in Licensee's corporate structure when this Agreement is signed; provided, however, that Licensee must give Disney written notice of such assignment and a description of the reorganization. The provisions of this Paragraph 32 shall supersede any conflicting provisions on this subject in any merchandise license agreement previously entered into between the parties for this Territory.

- C. Licensee acknowledges that it has read and understands the Transfer Fee Policy attached hereto, which governs transfer fee procedures under this Agreement. The Transfer Fee Policy is incorporated herein by this reference.
- D. Notwithstanding Paragraphs 32.A. and B., Licensee may, upon Disney's prior written consent, sublicense Licensee's rights and/or obligations hereunder to any of Licensee's Affiliates, provided that each such Affiliate

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(11) Confidential portions omitted and filed separately with the Commission.  
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agrees to be bound by all of the terms and conditions of this Agreement, and provided that each such Affiliate agrees to guarantee Licensee's full performance of this Agreement (including but not limited to Paragraph 25) and to indemnify Disney for any failure of such performance, and further provided that Licensee and each such Affiliate agree to provide Disney with satisfactory documentation of such agreement(s), guarantee(s), and indemnification upon Disney's request therefor. Licensee hereby represents and irrevocably and unconditionally guarantees that any and all Affiliates sublicensed hereunder will observe and perform all of Licensee's obligations under this Agreement, including, but not limited to, the provisions governing approvals, and compliance with approved samples, applicable Laws, and all other provisions hereof, and that they will otherwise adhere strictly to all of the terms hereof and act in accordance with Licensee's obligations hereunder. Any involvement of an Affiliate in the activities which are the subject of this Agreement shall be deemed carried on pursuant to such a sublicense and thus covered by such guarantee; however, unless Licensee has obtained Disney's consent to sublicense an Affiliate in each instance, such Affiliate shall be deemed to be included in the term "Licensee" for all purposes under this Agreement, and Disney may treat such unapproved involvement of the Affiliate as a breach of the Agreement. In the event of any sublicense to an Affiliate hereunder, the reference in Paragraph 32.A. to "Controlling Affiliate" shall include such Affiliate sublicensee.

### 33. RELATIONSHIP

This Agreement does not provide for a joint venture, partnership, agency or employment relationship between the parties, or any other relationship than that of licensor and licensee.

### 34. CONSTRUCTION

The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning and not strictly for or against any of the parties. Headings of paragraphs herein are for convenience of reference only and are without substantive significance.

35. MODIFICATIONS OR EXTENSIONS OF THIS AGREEMENT

Except as otherwise provided herein, this Agreement can only be extended or modified by a writing signed by both parties; provided, however, that certain

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modifications shall be effective if signed by the party to be charged and communicated to the other party.

36. NOTICES

All notices which either party is required or may desire to serve upon the other party shall be in writing, addressed to the party to be served at the address set forth on page 1 of this Agreement, and may be served personally or by depositing the same addressed as herein provided (unless and until otherwise notified), postage prepaid, in the United States mail. Such notice shall be deemed served upon personal delivery or upon the date of mailing; provided, however, that Disney shall be deemed to have been served with a notice of a request for approval of materials under this Agreement only upon Disney's actual receipt of the request and of any required accompanying materials. Any notice sent to Disney hereunder shall be sent to the attention of "Vice President, Licensing", unless Disney advises Licensee in writing otherwise.

37. MUSIC

Music is not licensed hereunder. Any charges, fees or royalties payable for music rights or any other rights not covered by this Agreement shall be additional to the Royalties and covered by separate agreement.

38. PREVIOUS AGREEMENTS

This Agreement, and any confidentiality agreement Licensee may have signed pertaining to any of the Licensed Material, contains the entire agreement between the parties concerning the subject matter hereof and supersedes any pre-existing or contemporaneous agreement and any oral or written communications between the parties.

39. CHOICE OF LAW AND FORUM

This Agreement shall be deemed to be an executory agreement entered into in California and shall be governed and interpreted according to the laws of the State of California applicable to contracts made and to be fully performed in California. Any legal actions pertaining to this Agreement shall be commenced within the State of California and within either Los Angeles or Orange Counties, and Licensee hereby waives trial by jury and consents to the jurisdiction of the courts located in Los Angeles or Orange Counties.

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40. EQUITABLE RELIEF



Licensee acknowledges that Disney will have no adequate remedy at law if Licensee continues to manufacture, sell, advertise, promote or distribute the Articles upon the expiration or termination of the term of any applicable Schedule under this Agreement. Licensee acknowledges and agrees that, in addition to any and all other remedies available to Disney, Disney shall have the right to have any such activity by Licensee restrained by equitable relief, including, but not limited to, a temporary restraining order, a preliminary injunction, a permanent injunction, or such other alternative relief as may be appropriate, without the necessity of Disney posting any bond.

41. GOODWILL

Licensee acknowledges that the rights and powers retained by Disney hereunder are necessary to protect Disney's (or its licensors', if applicable) copyrights and property rights, and, specifically, to conserve Disney's (and its licensors', if applicable) goodwill and good name, and the name "Disney", and therefore Licensee agrees that Licensee will not allow the same to become involved in matters which will, or could, detract from or impugn the public acceptance and popularity thereof, or impair their legal status.

42. POWER TO SIGN

The parties warrant and represent that their respective representatives signing this Agreement have full power and proper authority to sign this Agreement and to bind the parties.

43. SURVIVAL OF OBLIGATIONS

The respective obligations of the parties under this Agreement, which by their nature would continue beyond the termination, cancellation or expiration of this Agreement, including but not limited to indemnification, insurance, payment of Royalties, and Paragraph 29, shall survive termination, cancellation or expiration of this Agreement.

44. SEVERABILITY OF PROVISIONS

The terms of this Agreement are severable and the invalidity of any term of this Agreement shall not affect the validity of any other term.

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Please sign below under the word "Agreed". When signed by both parties this shall constitute an agreement between Disney and Licensee.

AGREED:

DISNEY ENTERPRISES, INC.

By: /s/ Steve Cipolla

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Title: Vice President Licensing

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Date: April 24, 1998

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CROWN CRAFTS, INC.

By: /s/ E. Randall Chestnut

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Title: Vice President  
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#### TRANSFER FEE POLICY

As provided in Paragraph 32.B. of the License Agreement, it is Disney's policy to charge a transfer fee in connection with any permitted assignment of the license or other "transfer," as that term is defined in Paragraph 32.A. The amount of the transfer fee is based on the circumstances of the particular assignment or transfer, taking into account such factors as:

- - the estimated value of the license being assigned or involved in the transfer
- - the risk of business interruption
- - the risk of loss of quality, production or control
- - the identity, reputation, creditworthiness, financial condition and business capabilities of the proposed assignee or entity involved in the transfer
- - Disney's internal costs related to the assignment or transfer

No Licensee or any company involved with a Licensee in an assignment or transfer situation should rely upon any express or implied verbal representations that are purported to be made on Disney's behalf as to the amount of any given fee to be assessed. Disney Licensing's Finance Department will communicate the actual amount of the fee calculated in each approved transaction.

In any prospective assignment or transfer situations, Licensees must inform the persons and companies with which they are dealing that no assignment or transfer may occur without Disney's prior written consent, to be granted or withheld in Disney's absolute discretion, and that any approved transaction will also entail a transfer fee. Licensees must give Disney at least 30 days prior written notice of any desired assignment or other transfer, together with any information and documentation necessary to evaluate the contemplated transaction. Licensees should not endanger the closing of their desired transactions by failing to comply with these provisions of the License Agreement.

If Disney grants consent to a proposed transaction subject to the payment of a transfer fee, and the transaction is concluded but the transfer fee is not paid within the designated time, the subject License Agreement(s) shall automatically terminate and any Guarantee shortfall(s) shall be immediately due and payable to Disney. If Disney does not grant consent to a proposed assignment or transfer and the Licensee nevertheless closes the transaction, the subject License Agreement(s) shall automatically terminate and any Guarantee shortfall(s) shall be immediately due and payable to Disney.

Disney's consent to any assignment or other transfer should in no way be understood to be a guarantee or promise by Disney of a grant of any future license(s), as those determinations will continue to be made on a contract by contract basis.

#### CODE OF CONDUCT FOR MANUFACTURERS

At The Walt Disney Company, we are committed to:

- a standard of excellence in every aspect of our business and in every corner of the world;

- ethical and responsible conduct in all of our operations;
- respect for the rights of all individuals; and
- respect for the environment.

We expect these same commitments to be shared by all manufacturers of Disney merchandise. At a minimum, we require that all manufacturers of Disney merchandise meet the following standards:

**CHILD LABOR**           Manufacturers will not use child labor.

The term "child" refers to a person younger than 15 (or 14 where local law allows) or, if higher, the local legal minimum age for employment or the age for completing compulsory education.

Manufacturers employing young persons who do not fall within the definition of "children" will also comply with any laws and regulations applicable to such persons.

**INVOLUNTARY LABOR**           Manufacturers will not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.

**COERCION AND HARASSMENT**           Manufacturers will treat each employee with dignity and respect, and will not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse.

**NONDISCRIMINATION**       Manufacturers will not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.

**ASSOCIATION**           Manufacturers will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference.

**HEALTH AND SAFETY**           Manufacturers will provide employees with a safe and healthy workplace in compliance with all applicable laws and regulations, ensuring at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation.  
Manufacturers will also ensure that the same standards of health and safety are applied in any housing that they provide for employees.

**COMPENSATION**           We expect manufacturers to recognize that wages are essential to meeting employees' basic needs. Manufacturers will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation, and provide legally mandated benefits. If local laws do not provide for overtime pay, manufacturers will pay at least regular wages for overtime work. Except in extraordinary business circumstances, manufacturers will not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by local law or, where local law does not limit the hours of work, the regular work week in such country plus 12 hours overtime. In addition, except in extraordinary business circumstances, employees will

be entitled to at least one day off in every seven-day period.

Where local industry standards are higher than applicable legal requirements, we expect manufacturers to meet the higher standards.

#### PROTECTION OF THE ENVIRONMENT

Manufacturers will comply with all applicable environmental laws and regulations.

#### OTHER

**LAWS** Manufacturers will comply with all applicable laws and regulations, including those pertaining to the manufacture, pricing, sale and distribution of merchandise.

All references to "applicable laws and regulations" in this Code of Conduct include local and national codes, rules and regulations as well as applicable treaties and voluntary industry standards.

#### SUBCONTRACTING

Manufacturers will not use subcontractors for the manufacture of Disney merchandise or components thereof without Disney's express written consent, and only after the subcontractor has entered into a written commitment with Disney to comply with this Code of Conduct.

#### MONITORING AND

##### COMPLIANCE

Manufacturers will authorize Disney and its designated agents (including third parties) to engage in monitoring activities to confirm compliance with this Code of Conduct, including unannounced on-site inspections of manufacturing facilities and employer-provided housing; reviews of books and records relating to employment matters; and private interviews with employees. Manufacturers will maintain on site all documentation that may be needed to demonstrate compliance with this Code of Conduct.

#### PUBLICATION

Manufacturers will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of this Code of Conduct, in the local language and in a place readily accessible to employees, at all times.

### CODE OF CONDUCT FOR LICENSEES

At The Walt Disney Company, we are committed to:

- a standard of excellence in every aspect of our business and in every corner of the world;
- ethical and responsible conduct in all of our operations;
- respect for the rights of all individuals; and
- respect for the environment.

We expect these same commitments to be shared by all Disney licensees and the manufacturers with which they work in the production of Disney merchandise. At a minimum, we require that all Disney licensees meet the following standards:

#### CONDUCT OF

##### MANUFACTURING

Licensees that engage directly in the manufacturing of Disney merchandise will comply with all of the standards set forth in Disney's Code of Conduct for Manufacturers, a copy of which is attached.

Licensees will ensure that each manufacturer other

than the licensee also enters into a written commitment with Disney to comply with the standards set forth in Disney's Code of Conduct for Manufacturers.

Licensees will prohibit manufacturers from subcontracting the manufacture of Disney merchandise or components thereof without Disney's express written consent, and only after the subcontractor has entered into a written commitment with Disney to comply with Disney's Code of Conduct for Manufacturers.

#### MONITORING AND COMPLIANCE

Licensees will take appropriate steps, in consultation with Disney, to develop, implement and maintain procedures to evaluate and monitor manufacturers of Disney merchandise and ensure compliance with Disney's Code of Conduct for Manufacturers, including unannounced on-site inspections of manufacturing facilities and employer-provided housing; review of books and records relating to employment matters; and private interviews with employees.

Licensees will authorize Disney and its designated agents (including third parties) to engage in similar monitoring activities to confirm Licensees' compliance with this Code of Conduct. Licensees will maintain on site all documentation that may be needed to demonstrate such compliance.

#### CATALOG SCHEDULE (LIST OF PRE-APPROVED CATALOGS)

MASS

[\*]14

This Catalog Schedule is subject to change. Disney reserves the right to add catalogs to or delete catalogs from the Catalog Schedule without prior notice to Licensee. Licensee agrees to cease selling Articles to a deleted catalog within sixty (60) days after written notice of the deletion. Disney will consider new catalogs requested by Licensee on a case-by-case basis.

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(14) Confidential portions omitted and filed separately with the Commission.

#### CATALOG SCHEDULE (LIST OF PRE-APPROVED CATALOGS)

HOME FURNISHINGS/HOUSEWARES

[\*]130

This Catalog Schedule is subject to change. Disney reserves the right to add catalogs to or delete catalogs from the Catalog Schedule without prior notice to Licensee. Licensee agrees to cease selling Articles to a deleted catalog within sixty (60) days after written notice of the deletion. Disney

will consider new catalogs requested by Licensee on a case-by-case basis.

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(130) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #1 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: BABY MICKEY MOUSE, BABY MINNIE MOUSE, BABY DONALD DUCK, BABY DAISY DUCK, BABY PLUTO AND BABY GOOFY.
5. Trademarks: DISNEY BABIES.
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*]131
8. (Royalty) Advance payment(s) and due date(s):  
[\*]132
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]133
10. Royalty rate:  
[\*]134
11. Articles:
  - A. Infant Bedding  
[\*]135
  - B. Infant Accessories

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(131) Confidential portions omitted and filed separately with the Commission.

(132) Confidential portions omitted and filed separately with the Commission.

(133) Confidential portions omitted and filed separately with the Commission.

(134) Confidential portions omitted and filed separately with the Commission.

(135) Confidential portions omitted and filed separately with the Commission.

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[\*]136

C. Infant Blankets/Throws

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[\*]137

12. Distribution:

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*]138

13. Special provisions, if any:

[\*]139

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

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(136) Confidential portions omitted and filed separately with the Commission.

(137) Confidential portions omitted and filed separately with the Commission.

(138) Confidential portions omitted and filed separately with the Commission.

(139) Confidential portions omitted and filed separately with the Commission.

#### Schedule to License Agreement

1. Schedule #2 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: BABY MICKEY MOUSE, BABY MINNIE MOUSE, BABY DONALD DUCK, BABY DAISY DUCK, BABY PLUTO AND BABY GOOFY.
5. Trademarks: BABY MICKEY & CO.
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*]140
8. (Royalty) Advance payment(s) and due date(s):  
[\*]141
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]142
10. Royalty rate:  
[\*]143
11. Articles:
  - A. Infant Bedding  
[\*]144
  - B. Infant Accessories

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(140) Confidential portions omitted and filed separately with the Commission.

- (141) Confidential portions omitted and filed separately with the Commission.
- (142) Confidential portions omitted and filed separately with the Commission.
- (143) Confidential portions omitted and filed separately with the Commission.
- (144) Confidential portions omitted and filed separately with the Commission.

[\*]145

C. Infant Blankets/Throws

[\*]146

12. Distribution:

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*]147

13. Special provisions, if any:

[\*]148

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.                      CROWN CRAFTS, INC.

By: /s/ Steve Cipolla                      By: /s/ E. Randall Chestnut  
-----

Title: Vice President Licensing              Title: Vice President  
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Date: April 24, 1998  
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- 
- (145) Confidential portions omitted and filed separately with the Commission.
  - (146) Confidential portions omitted and filed separately with the Commission.
  - (147) Confidential portions omitted and filed separately with the Commission.
  - (148) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement  
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- 1. Schedule #3 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
- 2. Effective date of this Schedule: January 1, 1998.
- 3. Termination date of this Schedule: December 31, 2000, although Licensee acknowledges that in the case of Articles Numbers D.1 through D.5 Licensee's rights with respect to such Articles may only be exercised from January 1, 1998, until December 31, 1998.
- 4. Licensed Material: WINNIE THE POOH, CHRISTOPHER ROBIN, PIGLET, RABBIT, EYORE, TIGGER, OWL, GOPHER, KANGA, AND ROO, ALL IN THE STYLE AS DESIGNED BY DISNEY.
- 5. Trademarks: POOH (Juvenile).
- 6. Anticipated release date of Property: Not applicable.
- 7. Marketing Date(s): [\*](149)



8. (Royalty) Advance payment(s) and due date(s):

[\*](150)

9. (Royalty) Guarantee increments during the term of this Schedule:

[\*](151)

10. Royalty rate:

[\*](152)

11. Articles:

A. Infant Bedding

- - - - -

(149) Confidential portions omitted and filed separately with the Commission.

(150) Confidential portions omitted and filed separately with the Commission.

(151) Confidential portions omitted and filed separately with the Commission.

(152) Confidential portions omitted and filed separately with the Commission.

[\*](153)

B. Infant Accessories

[\*](154)

C. Infant Blankets/Throws

[\*](155)

D. Toddler Bedding

[\*](156)

E. Juvenile

[\*](157)

12. Distribution:

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*](158)

13. Special provisions:

a. [\*](159)

b. Copyright notice:

Without limiting the provisions of Paragraph 13 of the Agreement, Licensee agrees to include on the Article, or the packaging for the Article, or the hang tag for the Article (if applicable), the following language: Based on the "Winnie The Pooh" works, copyright A.A. Milne and E.H. Shepard.

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- (153) Confidential portions omitted and filed separately with the Commission.
  - (154) Confidential portions omitted and filed separately with the Commission.
  - (155) Confidential portions omitted and filed separately with the Commission.
  - (156) Confidential portions omitted and filed separately with the Commission.
  - (157) Confidential portions omitted and filed separately with the Commission.
  - (158) Confidential portions omitted and filed separately with the Commission.
  - (159) Confidential portions omitted and filed separately with the Commission.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

Schedule to License Agreement

- 1. Schedule #4 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
- 2. Effective date of this Schedule: January 1, 1998.
- 3. Termination date of this Schedule: December 31, 2000.
- 4. Licensed Material: WINNIE THE POOH, CHRISTOPHER ROBIN, PIGLET, RABBIT, EEYORE, TIGGER, OWL, GOPHER, KANGA, AND ROO, ALL IN THE STYLE AS DESIGNED BY DISNEY.
- 5. Trademarks: POOH (Adult).
- 6. Anticipated release date of Property: Not applicable.
- 7. Marketing Date(s): [\*](160)
- 8. (Royalty) Advance payment(s) and due date(s):  
[\*](161)
- 9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*](162)

10. Royalty rates:

[\*](163)

11. Articles:

[\*](164)

12. Distribution:

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- (160) Confidential portions omitted and filed separately with the Commission.
- (161) Confidential portions omitted and filed separately with the Commission.
- (162) Confidential portions omitted and filed separately with the Commission.
- (163) Confidential portions omitted and filed separately with the Commission.
- (164) Confidential portions omitted and filed separately with the Commission.

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*](165)

13. Special provisions:

a. [\*](166)

b. Copyright notice:

Without limiting the provisions of Paragraph 13 of the Agreement, Licensee agrees to include on the Article, or the packaging for the Article, or the hang tag for the Article (if applicable), the following language: Based on the "Winnie The Pooh" works, copyright A.A. Milne and E.H. Shepard.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.                      CROWN CRAFTS, INC.

By: /s/ Steve Cipola                      By: /s/ E. Randall Chestnut  
-----

Title: Vice President Licensing              Title: Vice President  
-----

Date: April 24, 1998  
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- (165) Confidential portions omitted and filed separately with the Commission.
- (166) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement  
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1. Schedule #5 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").

2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: WINNIE THE POOH, CHRISTOPHER ROBIN, PIGLET, RABBIT, EYDOR, TIGGER, OWL, GOPHER, KANGA, AND ROO, ALL IN THE STYLE AS DESIGNED BY DISNEY.
5. Trademarks: POOH 100 ACRE COLLECTION (Adult and Juvenile brands).
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*](167)
8. (Royalty) Advance payment(s) and due date(s):  
[\*](168)
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*](169)
10. Royalty rate:  
[\*](170)
11. Articles:
  - A. Infant Bedding  
[\*](171)

- -----  
(167) Confidential portions omitted and filed separately with the Commission.  
(168) Confidential portions omitted and filed separately with the Commission.  
(169) Confidential portions omitted and filed separately with the Commission.  
(170) Confidential portions omitted and filed separately with the Commission.  
(171) Confidential portions omitted and filed separately with the Commission.

- B. Infant Accessories  
[\*](172)
  - C. Infant Blankets/Throws  
[\*](173)
  - D. Juvenile/Adult  
[\*](174)
12. Distribution:  
  
Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*](175)
13. Special provisions:
  - a. [\*](176)
  - b. Copyright notice:  
  
Without limiting the provisions of Paragraph 13 of the

Agreement, Licensee agrees to include on the Article, or the packaging for the Article, or the hang tag for the Article (if applicable), the following language: Based on the "Winnie The Pooh" works, copyright A.A. Milne and E.H. Shepard.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

(172) Confidential portions omitted and filed separately with the Commission.

(173) Confidential portions omitted and filed separately with the Commission.

(174) Confidential portions omitted and filed separately with the Commission.

(175) Confidential portions omitted and filed separately with the Commission.

(176) Confidential portions omitted and filed separately with the Commission.

#### Schedule to License Agreement

1. Schedule #6 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: Characters from the stories by the late A.A. Milne entitled "Winnie The Pooh," "The House At Pooh Corner," "When We Were Very Young," and "Now We Are Six" as drawn by the late E.H. Shepard for the purpose of illustrating the stories.
5. Trademarks: CLASSIC POOH.
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*](177)
8. (Royalty) Advance payment(s) and due date(s):  
[\*](178)
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*](179)
10. Royalty rate:  
[\*](180)
11. Articles:

A. Infant Bedding

[(\*)](181)

(177) Confidential portions omitted and filed separately with the Commission.

(178) Confidential portions omitted and filed separately with the Commission.

(179) Confidential portions omitted and filed separately with the Commission.

(180) Confidential portions omitted and filed separately with the Commission.

(181) Confidential portions omitted and filed separately with the Commission.

B. Infant Accessories

[(\*)](182)

C. Infant Blankets/Throws

[(\*)](183)

D. Juvenile/Adult

[(\*)](184)

12. Distribution:

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [(\*)](185)

13. Special provisions:

a. [(\*)](186)

b. Copyright notice:

Without limiting the provisions of Paragraph 13 of the Agreement, Licensee agrees to include on the Article, or the packaging for the Article, or the hang tag for the Article (if applicable), the following language: Based on the "Winnie The Pooh" works, copyright A.A. Milne and E.H. Shepard.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

(182) Confidential portions omitted and filed separately with the Commission.

- (183) Confidential portions omitted and filed separately with the Commission.
- (184) Confidential portions omitted and filed separately with the Commission.
- (185) Confidential portions omitted and filed separately with the Commission.
- (186) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #7 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: MICKEY MOUSE, MINNIE MOUSE, DONALD DUCK, DAISY DUCK, PLUTO AND GOOFY (BUT NOT SPORT GOOFY).
5. Trademarks: MICKEY & CO.
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*]187
8. (Royalty) Advance payment(s) and due date(s):  
[\*]188
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]189
10. Royalty rate:  
[\*]190
11. Articles:  
[\*]191
12. Distribution:

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187 Confidential portions omitted and filed separately with the Commission.

188 Confidential portions omitted and filed separately with the Commission.

189 Confidential portions omitted and filed separately with the Commission.

190 Confidential portions omitted and filed separately with the Commission.

191 Confidential portions omitted and filed separately with the Commission.

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*]192

When signed by both parties, this shall constitute a binding Schedule subject

to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

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(192) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #8 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: MICKEY MOUSE, MINNIE MOUSE, DONALD DUCK, DAISY DUCK, PLUTO AND GOOFY (BUT NOT SPORT GOOFY).
5. Trademarks: MICKEY FOR KIDS.
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*]193
8. (Royalty) Advance payment(s) and due date(s):  
[\*]194
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]195
10. Royalty rate:  
[\*]196
11. Articles:  
[\*]197

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(193) Confidential portions omitted and filed separately with the Commission.

(194) Confidential portions omitted and filed separately with the Commission.

(195) Confidential portions omitted and filed separately with the Commission.

(196) Confidential portions omitted and filed separately with the Commission.

(197) Confidential portions omitted and filed separately with the Commission.

12. Distribution:

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*]198

When signed by both parties, this shall constitute a binding Schedule subject



to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

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(198) Confidential portions omitted and filed separately with the Commission.

#### Schedule to License Agreement

1. Schedule #9 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: MICKEY MOUSE, MINNIE MOUSE, DONALD DUCK, DAISY DUCK, PLUTO AND GOOFY (BUT NOT SPORT GOOFY).
5. Trademarks: MICKEY UNLIMITED.
6. Anticipated release date of Property: Not applicable.
7. Marketing Date(s): [\*]199
8. (Royalty) Advance payment(s) and due date(s):  
[\*]200
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]201
10. Royalty rate:  
[\*]202
11. Articles:  
[\*]203
12. Distribution:

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(199) Confidential portions omitted and filed separately with the Commission.

(200) Confidential portions omitted and filed separately with the Commission.

(201) Confidential portions omitted and filed separately with the Commission.

(202) Confidential portions omitted and filed separately with the Commission.

(203) Confidential portions omitted and filed separately with the Commission.

Licensee will sell the Articles only to the following Retailers in the Territory for resale to the public in the Territory: [\*]204

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.                      CROWN CRAFTS, INC.

By: /s/ Steve Cipolla                      By: /s/ E. Randall Chestnut  
-----

Title: Vice President Licensing              Title: Vice President  
-----

Date: April 24, 1998  
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(204) Confidential portions omitted and filed separately with the Commission.

#### Schedule to License Agreement

1. Schedule #10 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 1999.
4. Licensed Material: DISNEY'S MULAN characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney.
5. Trademarks: DISNEY'S MULAN.
6. Anticipated release date of Property: To be determined. When the actual release date of the motion picture is determined, Licensee shall be advised of such date in writing.
7. Marketing Date: [\*]205
8. (Royalty) Advance payment and due date:  
[\*]206
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]207
10. Royalty rate:  
[\*]208
11. Articles:  
[\*]209

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(205) Confidential portions omitted and filed separately with the Commission.

(206) Confidential portions omitted and filed separately with the Commission.

(207) Confidential portions omitted and filed separately with the Commission.

(208) Confidential portions omitted and filed separately with the Commission.

(209) Confidential portions omitted and filed separately with the Commission.

12. Distribution:

Licensee will sell the Articles only to Retailers in the Territory for resale to the public in the Territory. [\*]210

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

(210) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #11 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: June 30, 2000.
4. Licensed Material: DISNEY'S THE LION KING - SIMBA'S PRIDE characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney.
5. Trademarks: DISNEY'S THE LION KING - SIMBA'S PRIDE.
6. Anticipated release date of Property: To be determined. When the actual direct-to-home video release date is determined, Licensee shall be advised of such date in writing.
7. Marketing Date: [\*]211
8. (Royalty) Advance payment and due date:  
[\*]212
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]213
10. Royalty rate:  
[\*]214
11. Articles:  
[\*]215

(211) Confidential portions omitted and filed separately with the Commission.

(212) Confidential portions omitted and filed separately with the Commission.

(213) Confidential portions omitted and filed separately with the Commission.

(214) Confidential portions omitted and filed separately with the Commission.

(215) Confidential portions omitted and filed separately with the Commission.

12. Distribution:

Licensee will sell the Articles only to Retailers in the Territory for resale to the public in the Territory. [\*]216

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

(216) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #12 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: June 30, 2000.
4. Licensed Material: A BUG'S LIFE characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney.
5. Trademarks: A BUG'S LIFE.
6. Anticipated release date of Property: To be determined. When the actual release date of the motion picture is determined, Licensee shall be advised of such date in writing.
7. Marketing Date: [\*]217
8. (Royalty) Advance payment and due date:  
[\*]218
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]219
10. Royalty rate:  
[\*]220
11. Articles:  
[\*]221

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- (217) Confidential portions omitted and filed separately with the Commission.
- (218) Confidential portions omitted and filed separately with the Commission.
- (219) Confidential portions omitted and filed separately with the Commission.
- (220) Confidential portions omitted and filed separately with the Commission.
- (221) Confidential portions omitted and filed separately with the Commission.

12. Distribution:

Licensee will sell the Articles only to Retailers in the Territory for resale to the public in the Territory. [\*]222

13. Special Provisions:

a. Hang tags:

Hang tags must have the artwork title of the motion picture on the first line, and "A Disney/Pixar Production" on the second line.

b. Copyright notice:

Without limiting the provisions of Paragraph 13 of the Agreement, the Articles shall display a copyright notice in Disney's and Pixar Animation Studios' names (e.g., "(C) Disney Enterprises, Inc., and Pixar Animation Studios" or, if space is limited, "(C) Disney/Pixar").

c. Statements and Payments of Royalties:

In addition to the information required in Paragraph 20 of the Agreement, Licensee must separately report sales of Articles by SKU and character.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

- 
- (222) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #13 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: Characters from the Disney animated motion picture

to be released for Summer 1999 (to be determined), but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney.

5. Trademarks: To be determined.
6. Anticipated release date of Property: To be determined. When the actual release date of the motion picture is determined, Licensee shall be advised of such date in writing.
7. Marketing Date: [\*]223
8. (Royalty) Advance payment and due date:  
[\*]224
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]225
10. Royalty rate:  
[\*]226
11. Articles:  
[\*]227

- 
- (223) Confidential portions omitted and filed separately with the Commission.
  - (224) Confidential portions omitted and filed separately with the Commission.
  - (225) Confidential portions omitted and filed separately with the Commission.
  - (226) Confidential portions omitted and filed separately with the Commission.
  - (227) Confidential portions omitted and filed separately with the Commission.

12. Distribution:  
  
Licensee will sell the Articles only to Retailers in the Territory for resale to the public in the Territory. [\*]228

13. Special Provisions:  
  
The parties recognize that due to the fact that the identity of the Property that is the subject of this Schedule is presently undetermined, certain special provisions may need to be added to this Schedule, and/or certain provisions hereof may need to be revised, based on the specific terms and conditions as may be applicable to the actual Property when determined. The parties hereby agree to amend this Schedule accordingly, at such time as the Property has been identified.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.                      CROWN CRAFTS, INC.

By: /s/ Steve Cipolla                      By: /s/ E. Randall Chestnut  
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Title: Vice President Licensing              Title: Vice President  
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Date: April 24, 1998  
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(228) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #14 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: July 1, 1998.
3. Termination date of this Schedule: June 30, 2001.
4. Licensed Material: TOY STORY II characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney.
5. Trademarks: TOY STORY II
6. Anticipated release date of Property: To be determined. When the actual release date of the motion picture is determined, Licensee shall be advised of such date in writing.
7. Marketing Date: [\*]229
8. (Royalty) Advance payment and due date:  
[\*]230
9. (Royalty) Guarantee increments during the term of this Schedule:  
[\*]231
10. Royalty rate:  
[\*]232
11. Articles:  
[\*]233

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(229) Confidential portions omitted and filed separately with the Commission.

(230) Confidential portions omitted and filed separately with the Commission.

(231) Confidential portions omitted and filed separately with the Commission.

(232) Confidential portions omitted and filed separately with the Commission.

(233) Confidential portions omitted and filed separately with the Commission.

12. Distribution:

Licensee will sell the Articles only to Retailers in the Territory for resale to the public in the Territory. [\*]234

13. Special Provisions:

- a. Hang tags:

Hang tags must have the artwork title of the motion picture on the first line, and "A Disney/Pixar Production" on the second line.

- b. Copyright notice:

Without limiting the provisions of Paragraph 13 of the Agreement, the Articles shall display a copyright notice in Disney's and Pixar Animation Studios' names (e.g., "(C) Disney Enterprises, Inc., and Pixar Animation Studios" or, if space is limited, "(C) Disney/Pixar").

c. Statements and Payments of Royalties:

In addition to the information required in Paragraph 20 of the Agreement, Licensee must separately report sales of Articles by SKU and character.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

(234) Confidential portions omitted and filed separately with the Commission.

Schedule to License Agreement

1. Schedule #15 to License Agreement Dated January 1, 1998 between Disney Enterprises, Inc. and CROWN CRAFTS, INC. ("Agreement").
2. Effective date of this Schedule: January 1, 1998.
3. Termination date of this Schedule: December 31, 2000.
4. Licensed Material: DISNEY CLASSICS, comprised of the following properties (collectively, the "Disney Classics Properties"):
  - (1) WALT DISNEY'S BAMBI characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
  - (2) WALT DISNEY'S SLEEPING BEAUTY characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
  - (3) WALT DISNEY'S SNOW WHITE AND THE SEVEN DWARFS characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
  - (4) WALT DISNEY'S THE JUNGLE BOOK characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
  - (5) WALT DISNEY'S CINDERELLA characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
  - (6) WALT DISNEY'S DUMBO characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
  - (7) WALT DISNEY'S LADY AND THE TRAMP characters, but only such



characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;

- (8) WALT DISNEY'S PINOCCHIO characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
- (9) WALT DISNEY'S ALICE IN WONDERLAND characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney;
- (10) WALT DISNEY'S PETER PAN characters, but only such characters and depictions of such characters, and accompanying design elements, as may be designated by Disney.

5. Trademarks:

WALT DISNEY'S BAMBI  
WALT DISNEY'S SLEEPING BEAUTY  
WALT DISNEY'S SNOW WHITE AND THE SEVEN DWARFS  
WALT DISNEY'S THE JUNGLE BOOK  
WALT DISNEY'S CINDERELLA  
WALT DISNEY'S DUMBO  
WALT DISNEY'S LADY AND THE TRAMP  
WALT DISNEY'S PINOCCHIO  
WALT DISNEY'S ALICE IN WONDERLAND  
WALT DISNEY'S PETER PAN

6. Anticipated release date of Property: Not applicable.

7. Marketing Date: [\*]235

8. (Royalty) Advance payment(s) and due date(s):

[\*]236

9. (Royalty) Guarantee increments during the term of this Schedule:

[\*]237

10. Royalty rate:

[\*]238

11. Articles:

A. Infant Bedding

[\*]239

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(235) Confidential portions omitted and filed separately with the Commission.

(236) Confidential portions omitted and filed separately with the Commission.

(237) Confidential portions omitted and filed separately with the Commission.

(238) Confidential portions omitted and filed separately with the Commission.

(239) Confidential portions omitted and filed separately with the Commission.

B. Infant Accessories

[\*]240

C. Infant Blankets/Throws

[\*]241

D. Juvenile

[\*]242

12. Distribution:

Licensee will sell the Articles only to Retailers in the Territory for resale to the public in the Territory; [\*]243

13. Special provisions:

[\*]244

b. Statements and Payments of Royalties:

In addition to the information requested pursuant to Paragraph 20 of the Agreement, Licensee shall report all information required under the Agreement separately by individual Character Classic Property.

When signed by both parties, this shall constitute a binding Schedule subject to the terms of the Agreement.

DISNEY ENTERPRISES, INC.

CROWN CRAFTS, INC.

By: /s/ Steve Cipolla

By: /s/ E. Randall Chestnut

Title: Vice President Licensing

Title: Vice President

Date: April 24, 1998

(240) Confidential portions omitted and filed separately with the Commission.

(241) Confidential portions omitted and filed separately with the Commission.

(242) Confidential portions omitted and filed separately with the Commission.

(243) Confidential portions omitted and filed separately with the Commission.

(244) Confidential portions omitted and filed separately with the Commission.

LICENSE AGREEMENT

between

CALVIN KLEIN, INC.

and

CROWN CRAFTS DESIGNER, INC.

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Exhibits/Schedules

- Exhibit A Licensed Mark
- Exhibit 1.1.1 Products
- Exhibit 3.1 Design and Development Chart; Time and Action Calendar
- Exhibit 11
- Schedule 111-3 Power of Attorney
- Schedule 15.2 Shareholders

Guarantee

CONFIDENTIAL -- NEITHER THE RELATIONSHIP CONTEMPLATED BY THIS DOCUMENT NOR ITS CONTENTS IS TO BE DISCUSSED WITHOUT THE CONSENT OF CALVIN KLEIN, INC. THIS DRAFT DOES NOT CONSTITUTE AN OBLIGATION OF THE PARTIES. NO BINDING AGREEMENT WILL RESULT UNLESS A DEFINITIVE WRITTEN AGREEMENT IS EXECUTED AND DELIVERED BY THE PARTIES. DELIVERY OF THIS DRAFT AGREEMENT SHOULD NOT BE CONSTRUED AS ANY COMMITMENT ON THE PART OF CALVIN KLEIN, INC. TO ENTER INTO THIS OR ANY OTHER AGREEMENT; THERE IS NO OBLIGATION TO EXECUTE ANY SUCH AGREEMENT.

CALVIN KLEIN, INC.  
and  
CROWN CRAFTS DESIGNER, INC.

This AGREEMENT, dated as of May 11, 1998, between CALVIN KLEIN, INC., a New York corporation ("Licensor"), and Crown Crafts Designer, Inc., a Delaware corporation ("Licensee") and a wholly-owned subsidiary of Crown Crafts, Inc., a Georgia corporation ("Guarantor"),

WITNESSETH:

In consideration of the premises and the mutual covenants hereinafter set forth, the parties hereby agree as follows:

Definitions

As used in this Agreement, the following definitions will apply:

"Affiliates" of any person or entity means persons or entities controlled by, controlling or under common control with such person or entity.

"Annual Period" means, the period commencing May 11, 1998 through December 31, 1998 and each subsequent calendar year (or portion thereof) during the term hereof or any renewal or extension of the term. Licensee's fiscal year is a 52/53 week year ending on the Sunday closest to 31 March. Except for specific references to a calendar quarter, each "quarter" for purposes of accounting for the Percentage Fee and the "balance" of the advertising expenditures during each Annual Period shall be based on the Licensee's fiscal quarter substantially concurrent with a calendar quarter.

"Articles" means Products approved by Licensor from time to time for sale hereunder as part of any particular Collection.

"Business Day" means any date that is not a Saturday, Sunday or a legal holiday on which banking institutions in the State of New York are authorized or required to close.

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"Close-Out Articles" means Articles sold (i) at least one month after Licensee's regular shipping season, and (ii) at a discount of more than 25% off Licensee's regular wholesale price for such Articles.

"Collection" means a seasonal collection of Articles.

"Consumer Advertising" means advertisements on television and print advertisements in prestigious national publications, and such other forms of advertising as Licensor reasonably deems to be "consumer" advertising, but

will not include any point-of-sale, co-operative or trade advertising or advertising in local publications.

"Licensed Mark" means the mark "CALVIN KLEIN", in the form attached as Exhibit A, or in any subsequent form as may be specified by Licensor. The term "Licensed Mark" does not include the name "CK/CALVIN KLEIN", the mark "CK" or any other variation, modification or derivative of such trademarks or the Licensed Mark.

"Net Sales" means [\*](1)

"Products" means a line of soft home products particularly described in Exhibit B.

"Stores" means free-standing retail locations bearing the Licensed Mark (or another trademark of Licensor and the Calvin Klein Trademark Trust) operated by Licensor or its licensees or sublicensees.

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(1) Confidential portions omitted and filed separately with the Commission.

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"Territory" means the countries specified in Exhibit C. The Territory shall not include duty-free outlets or similar tax-free areas ("Duty-free") except as may be expressly authorized by Licensor in its sole discretion.

#### 1. Grant of License

1.1.1 Subject to the provisions of this Agreement, Licensor hereby grants to Licensee an exclusive license to use the Licensed Mark throughout the Territory during the term on and in connection with the manufacture, distribution and sale at wholesale of the Products; provided, that Licensee may not commence the distribution and sale of Products in the countries included in Europe, the Middle East, Central America or South America unless Licensor shall have approved, not to be unreasonably withheld, a detailed business plan submitted by Licensee for any such region, indicating country - by-country development, specific doors, merchandise mix and projected Net Sales for each Annual Period and evidencing Licensee's ability and intent to execute such plan and such other information as Licensor reasonably requests. Licensee may request Licensor's consent to the manufacture of Articles on a non-exclusive basis outside the Territory. Licensor may grant or withhold such consent in its sole discretion based upon information supplied by the Licensee as to the specific Articles, manufacturing facilities and contractors involved. Furthermore, Licensor may from time to time, on a non-exclusive, seasonal basis, permit Licensee to sell Articles to certain specified retail outlets outside the Territory, subject to all of the terms of this Agreement.

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1.1.2 Except as otherwise provided in this Agreement, all Articles must bear the Licensed Mark and no Articles may be sold or otherwise distributed by Licensee under any mark other than the Licensed Mark.

1.1.3 Prior to any use thereof, Licensee will submit a list of proposed third party contractors to Licensor, and such related information as Licensor may reasonably request, for its approval (which approval may be withdrawn at any time by Licensor in its reasonable discretion). Licensee will use commercially reasonable efforts to require all of its contractors to comply with all of the provisions of this Agreement relating to quality standards, confidentiality and trademark protection, and to ensure that its own facilities and those of such third party contractors observe all applicable laws and

regulations including, without limitation those governing workplace and fair labor standards. Licensee will use commercially reasonable efforts to ensure that no contractor sells Articles including seconds, damaged Articles and Articles from which the Licensed Mark has been removed to any entity other than Licensee (or another duly authorized licensee of Licensor) or ships Articles to any location other than to the facilities of Licensee or such other licensees or to their respective customers within the Territory as directed by Licensee.

1.1.4 In the event Licensor determines to grant a license for Products in jurisdictions in Asia (other than Japan), Licensor shall so advise Licensee, and Licensee shall have the right for a 30-day period to make an offer to Licensor for such jurisdictions and if such offer is made and accepted, to negotiate the terms of a license for such jurisdictions during a period not to exceed 60 days following the date of such offer. Following such period, Licensor may license (or not license) such

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jurisdictions to any party it selects in its sole discretion on terms generally no less favorable to Licensor than those offered by Licensee.

1.2 Licensor reserves all rights to the Licensed Mark except as specifically granted herein, and Licensor may exercise any of its rights at any time. Licensee specifically acknowledges that Licensor has retained:

(a) the right to use, and to grant to any other third party the right to use, the Licensed Mark:

(i) in the Territory, with regard to any services or merchandise other than Products, and

(ii) outside the Territory, with regard to any services or merchandise;

(b) The right to own, operate and license retail outlets and boutiques throughout the world, identified by or with the Licensed Mark or other trademarks;

(c) the right to use, and to license third parties the right to use any trademark other than the Licensed Mark without restriction; and

(d) the right to manufacture, and to grant to third parties the right to manufacture, Products in the Territory solely for the purpose of export from and sale outside the Territory.

1.3 Licensee acknowledges that Articles hereunder may bear some similarity of design to products bearing trademarks other than the Licensed Mark which may now or hereafter be manufactured, distributed or sold in the Territory in connection with the Licensed Mark, by Licensor or duly authorized licensees or authorized users, and that such similarity will not constitute a breach or default hereunder. To the extent practicable,

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Licensor will endeavor to arrange to distinguish such merchandise from Articles hereunder, whether by design, fabrication, distribution channels, target market, price range or otherwise.

1.4 Any dispute between Licensee and any other non-Affiliate licensee of Licensor in the Territory as to whose license covers what merchandise shall be submitted to Licensor for its good faith determination, which determination shall be final and binding on the Licensee.

1.5 Licensee will use its commercially reasonable efforts, including without limitation financing and investing in the staffing, advertising, promotion and development (both Product development and in-store

development) of operations under this Agreement to exploit the rights herein granted throughout each jurisdiction in the Territory and to sell the maximum quantity of Articles therein, consistent with the high standards and prestige represented by the Licensed Mark.

1.6 Licensee will not export Articles from the Territory and will not sell Articles to any third party which it knows or has reason to believe intends to export Articles from the Territory, in each case including sales or deliveries to Duty-free. Licensee will utilize such product identification systems and other measures as Licensor may from time to time reasonably specify in order to facilitate effective control of the distribution of Products and the Licensed Mark, both within and outside the Territory, and the monitoring and prevention of "parallel" or "grey goods" marketing.

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1.7 Notwithstanding the provisions of Section 1.1.1, Licensor may grant third parties the right to produce (within or outside the Territory) Products for sale outside the Territory. Upon Licensor's request, Licensee will provide all relevant sourcing information to such parties and will otherwise cooperate as reasonably requested by Licensor ; provided, that Licensee shall not be required to disclose proprietary information. Licensee will timely supply Licensor or its distributors or other permitted licensees (including Stores licensees) with Articles for distribution in such quantities as Licensor may reasonably request on a priority basis, subject to reasonable credit considerations, and will maintain inventory to make Articles available to Stores on an ongoing and staged shipment (also known as "quick-ship") basis. [\*](2)

1.8 The Products described are among a range of product lines utilizing the Licensed Mark now or hereafter sold by Licensor, its licensees and other duly authorized parties. In order to provide for consistency in scope and to prevent confusion in the market, Licensee will use commercially reasonable efforts to arrange for the placement of items constituting Articles in the market to be consistent with the placement of such other product lines bearing the Licensed Mark and to be distinguishable from the placement of product lines bearing other trademarks of Licensor.

## 2. Term

2.1 The initial term of this Agreement shall be five years and approximately eight months commencing as of May 11, 1998 and continuing

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(2) Confidential portions omitted and filed separately with the Commission.

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through December 31, 2003 (the "Initial Term") unless sooner terminated in accordance with this Agreement. Licensee shall have the option to renew this Agreement for an additional five-year term (the "Renewal Term"), commencing on January 1, 2004, provided that: (i) written notice thereof is delivered to Licensor at least six months prior to the expiration date of the Initial Term; (ii) Licensee is in compliance in all material respects with all the terms and provisions of this Agreement on the date the renewal notice is delivered and on the last day of the Initial Term; (iii) Net Sales of Licensed Articles during the 12-month period ending June 30, 2003 (the "Reference Period") shall be equal to at least (A) [\*](3) in respect of the U.S., Canada, Mexico and (without duplication) Stores, plus (B) (without duplication for Net Sales in respect of Stores) an amount equal to the aggregate regional minimum Net Sales thresholds for the Reference Period for Europe, Middle East, Central America and South America (in each case, a "Regional Threshold") as determined in good faith between the parties when the business plans for such regions are approved pursuant to Section 1.1.1) (the sum of (A) plus (B) are referred to as the "Renewal Threshold") and (iv) Licensor in its reasonable discretion shall have approved Licensee's proposed detailed five year business plan for such renewal

term (as submitted by Licensee by December 31, 2002). Notwithstanding the foregoing, if Licensee satisfies all of the conditions for renewal except that Licensee's Net Sales for the Reference Period are less than Renewal Threshold (but more than 85% of the Renewal Threshold) the Initial Term shall be extended to December 31, 2004; and if Licensee's Net Sales for the 12-month period ending June 30, 2004 are at least equal to the Renewal Threshold and Licensee continues to be in compliance in all material respects with all of the terms and provisions

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(3) Confidential portions omitted and filed separately with the Commission.

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of this Agreement on December 31, 2004, then this Agreement shall be renewed for the balance of the Renewal Term. If Licensee's Net Sales for the Reference Period in respect of any of Europe, the Middle East, Central America or South America are less than the applicable Regional Threshold, this Agreement shall terminate in respect of such region upon the expiration of the Initial Term, except as otherwise agreed by Licensee. The Initial Term and the Renewal Term shall be collectively referred to herein as the "Term".

### 3. Design

3.1 Licensor and Licensee will cooperate and will exercise their respective commercially reasonable efforts in the preparation of Collections and to carry out their respective duties and responsibilities set forth in the "Time and Action Calendar" attached hereto as Exhibit 3.1. At least 60 days before the development stage of any Collection, Licensee will provide a merchandising plan setting forth the number of styles, estimated unit production, in-store delivery dates, target wholesale price points, target market segment, potential jurisdictions for product sourcing and, where applicable, historical sales statistics for Licensor's review and use in developing such Collection as provided herein.

3.2.1 Licensor will provide Licensee with creative concepts and fashion direction including recommendations as to color, material, design and styling of Articles as Licensor deems reasonably sufficient to develop each Collection of Articles, and such additional design assistance as it determines in its discretion. Licensor will designate a member of its design staff who will be dedicated primarily to the development of Articles. Licensor will, from time to time, submit to Licensee sketches, designs,

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colors, samples, labels and packaging and other materials in such quantity as it determines in its sole discretion, for use by Licensee in connection with its preparation of Collections.

3.2.2 Licensee will utilize substantially all of the designs submitted or approved by Licensor for each Collection and will timely produce, offer for sale and ship all Articles produced therefrom, except as the parties may otherwise agree (taking into account technical or production problems which might affect the ability to timely develop and produce certain designs).

3.3 Licensee will advise Licensor of innovative concepts and techniques in the industry relating to the manufacture of Articles and may, from time to time, deliver examples of materials for Licensor's consideration in development of the collections of Articles, which Licensor may accept, modify or reject in its sole discretion.

3.4 Licensee may use only sketches, designs, colors, packaging, labels and other materials provided or approved by Licensor in connection with Articles.

3.5.1 Licensee will be responsible for making all design and production prototypes and samples as well as for the production of Articles, and



Licensee will bear all costs in connection therewith. To the extent Licensor reasonably determines necessary for the promotion of the prestige and image of the Licensed Mark or to respond to the sourcing preferences of particular markets, Licensor may from time to time request that specified Articles be produced in particular jurisdictions specified by Licensor. Licensee will not unreasonably refuse to comply with any such request.

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3.5.2 Licensee will be responsible for [\*](4) the design, development, construction and maintenance and periodic refurbishments of a showroom or showrooms in accordance with the provisions of Section 5 hereof and of the in-store shops or in-store areas within stores of Licensee's customers ("shop-in-shops") referred to in the next sentence. Licensee will arrange for the opening of shop-in-shops within department stores and specialty stores using appropriate fixtures and signage, and to fully stock such shop-in-shops with an appropriate merchandise mix of Articles, all as approved by Licensor, pursuant to and consistent with the shop-in-shop development program included in the business plan approved by Licensor prior to the execution of this Agreement (such approval not to be unreasonably withheld) or in connection with the commencement of the Renewal Term, as the case may be. Licensee will use commercially reasonable efforts to carry out its shop-in-shop development programs in a manner comparable to and commensurate with the standards, sizes, locations and quality of the shop-in-shop programs of Licensor's competition as to Articles. By the end of the second Annual Period (1999), Articles are to be sold within at least [\*](5) shop-in-shops and [\*](6) fixtured areas (within the United States). However, to the extent Licensee establishes to Licensor's reasonable satisfaction that Licensee has been prevented from achieving such minimum numbers due to refusals or delays by its customers, such failure shall not be deemed a default hereunder; provided, that Licensee continues to use commercially reasonable efforts to achieve such numbers at the earliest practicable date. Licensor may periodically inspect Licensee's showrooms, trade exhibition shows, and shop-

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(4) Confidential portions omitted and filed separately with the Commission.

(5) Confidential portions omitted and filed separately with the Commission.

(6) Confidential portions omitted and filed separately with the Commission.

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in-shops. Any such inspection will be at Licensor's expense unless Licensor determines as a result of such inspection that Licensee's showrooms, trade exhibition shows or shop-in-shops have not been established and maintained in accordance with Licensor's specifications, in which case Licensee will at its expense promptly make such modifications to design, layout, decor, visual display or merchandise display formats as Licensor may reasonably require and will reimburse Licensor's reasonable costs and expenses in connection with such inspections and any follow-up inspections to determine the satisfactory completion of such modifications.

3.5.3 [\*](7)

3.6.1 Licensee will make available to Licensor, without charge, such quantity of Articles as is reasonably requested by Licensor for use in fashion shows of "Calvin Klein" merchandise and for use by Licensor in the promotion of Articles, including public relations promotions.

3.6.2 Licensee will permit Licensor's employees and other representatives to purchase Articles for personal use at Licensee's regular wholesale prices less [\*](8).

#### 4. Quality Control

4.1 The components, workmanship, fit and durability of Articles and of all related tags, labels, packaging and ancillary materials will at all

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(7) Confidential portions omitted and filed separately with the Commission.

(8) Confidential portions omitted and filed separately with the Commission.

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times be of the highest quality commensurate with the reputation, image and prestige of the Licensed Mark. Licensor will design or approve the styles, designs, packaging, components, workmanship, quality, display, merchandising, advertising and promotion of all Articles so as to ensure that Articles comply with the preceding sentence. The foregoing will not apply to cooperative advertising developed and placed by retail outlets if Licensee has no right to review, approve or control the same (it being understood that Licensee will use its commercially reasonable efforts to obtain such rights). Licensee will maintain production and other quality control procedures so as to ensure that the quality of Articles meets or surpasses that of the approved samples of Articles. Articles will be distributed, merchandised and sold with packaging and sales promotion materials appropriate for highest quality Products. Licensee has facilities for printing inserts in packaging, and other forms of promotional and/or collateral materials, and, subject to satisfaction of Licensor's specifications, quality standards and delivery requirements on an ongoing basis, such facilities will be the preferred source of production thereof. All Articles will be manufactured, sold, labeled, packaged, distributed and advertised in accordance with all applicable laws and regulations, including those governing workplace and labor standards.

4.2 Before selling, distributing or promoting any Article, Licensee will deliver for Licensor's inspection and correction a prototype sample of each such Article together with prototype tags, labels and packaging to be used in connection therewith. Licensee will also deliver one initial production sample of each Article, together with the tags, labels and packaging to be used in connection therewith, for Licensor's approval. In addition, upon Licensor's request, Licensee will deliver to Licensor, free of

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charge, then current production samples of each Article produced hereunder together with the tags, labels and packaging being used in connection therewith so that Licensor may assure itself of the maintenance of the quality standards set forth herein. The foregoing deliveries shall be free of charge to Licensor. In the event Licensor determines that any Article so submitted fails to meet the quality standards set forth herein, Licensee will make any corrections determined by Licensor to be necessary to meet such quality standards. All Articles to be sold hereunder will be at least equal in quality to the samples approved by Licensor. If during any Annual Period, Licensee provides a substantial quantity of production samples, Licensor will retain a "sampling" of the same and will return the balance after its review of the same. Licensor's duly authorized representatives will have the right, upon reasonable advance notice and during normal business hours, to examine Articles in the process of being manufactured and to inspect all facilities utilized and controlled by Licensee or its Affiliates (including those of all its contractors) in connection with the manufacture, distribution and sale of Articles. Licensee's agreements with third party contractors related to Articles shall include a similar provision permitting Licensor's inspection of such contractors' facilities, as well as provisions permitting production and shipment of Articles and other materials bearing the Licensed Mark or other "Calvin Klein" identification only to the Licensee or as otherwise expressly directed by Licensee in accordance with this Agreement.

4.3 All Articles will bear the Licensed Mark in such form and manner as may be approved by Licensor. Notwithstanding the foregoing, the Licensed Mark and all other "Calvin Klein" identification will be removed from all Articles to be sold by Licensee as other than first-quality merchandise, unless such removal would not be commercially feasible, in which case

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Licensee will mark such Articles in a manner (approved by Licensor) that clearly indicates that they are "irregular"; and such irregular and all Close-Out Articles will be sold only if there is no advertising or promotion in connection therewith utilizing or referring to the Licensed Mark. Each distribution outlet for the sale of "irregular" Articles, Close-Out Articles and excess piece goods (e.g., fabric), will be subject to the periodic prior approval of Licensor.

4.4 Any and all proposed advertising, or promotional or publicity material (including issuing press releases, interviews or other public relations media) and any other printed or other communications media in connection with the promotion, sale or distribution of Articles, must be approved by Licensor prior to use by Licensee.

4.5 If Licensor should disapprove any sample Article, tag, label, package or the like, or any advertising, promotional, merchandising or publicity material or the proposed placement thereof or any other printed matter, Licensee will not use or permit the use of the same in any manner, whether or not in connection with Articles or the Licensed Mark.

4.6 In order to maintain the reputation, image and prestige of the Licensed Mark, Licensee's distribution patterns must consist solely of retail outlets for resale directly to consumers and solely those retail outlets and doors whose location, merchandising and overall operations are consistent with (i) the high quality of Articles and the reputation, image and prestige of the Licensed Mark and as set forth in a distribution plan, specifying the location of each such door and outlet, submitted by Licensee at least 90 days prior to the opening date for each seasonal Collection for Licensor's review

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and approval or (ii) as otherwise approved by Licensor on an ongoing basis. Licensee acknowledges and agrees that such distribution patterns shall not include specialty stores or national chains without Licensor's prior written approval, which may be given or withheld in its sole discretion. Licensee will utilize commercially reasonable efforts to ensure that all department store distribution outlets utilize fixturing consistent with Licensor-approved specifications for the proper display and merchandising of Articles.

## 5. Operations of Licensee

5.1 Licensee shall be exclusively engaged in the business of performing its obligations and responsibilities hereunder. In connection therewith, Licensee shall:

(a) (i) employ, (A) on an exclusive basis (1) a "President" of the Company who shall be subject to the ongoing approval of Licensor, and (2) such sales, merchandising and product development personnel, and (B) either on an exclusive basis or substantially dedicated to Licensee's operations hereunder to the extent reasonably required by Licensor, such production, technical, quality control, retail development, and visual display personnel, as will enable Licensee to exploit the License herein granted and to maintain the quality standards required hereunder; and

(ii) [\*](9); and

(iii) in the case of visual display and retail development personnel, Licensee shall employ, retain or contribute to the cost of Licensor's dedicated personnel, as the case may be. The approximate annual

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(9) Confidential portions omitted and filed separately with the Commission.

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cost of visual display and retail development staff (as employed or retained

by the predecessor licensee for Products) is currently [\*](10)

(b) (i) contribute to the cost and expense (including maintenance and seasonal set-ups) of a showroom at 205 West 39th Street, New York, New York for the purpose of displaying and promoting and if so determined, selling the Articles in an amount reasonably allocated by Licensor (the current cost of which is [\*](11)) and (ii) if Licensee so determines, to establish and maintain an additional showroom for the display and sale of the Articles, the location and the decor of which, and any subsequent or renovated showroom, shall be subject to the ongoing approval of Licensor (which shall include the selection or approval of the architect for such showroom, as well as plans for such location;

(c) maintain throughout the term of this Agreement separate showrooms in specific regional locations outside the United States (as set forth in the business plans provided for in Section 1.1.1), to be established as soon as practicable, for the sole purpose of displaying, promoting and selling Articles (the general location (and relocation) and decor of such showrooms, and trade show and exhibition areas will be subject to the ongoing approval of Licensor, and the architect retained by Licensee in connection with such showroom will be either selected or approved by Licensor). All funds for all of the foregoing will be provided by Licensee;

(d) establish, and thereafter maintain throughout the term of this Agreement: production and other facilities, whether by ownership or by contractual arrangement, to exploit the license herein granted and maintain the quality standards required hereunder;

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(10) Confidential portions omitted and filed separately with the Commission.

(11) Confidential portions omitted and filed separately with the Commission.

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(e) at all times maintain an adequate operating performance and financial position, and adequately finance all of the above and the operations as specified in this Agreement;

(f) retain or employ on an exclusive or non-exclusive basis such in-store sales and merchandising personnel as Licensor may reasonably require consistent with its corporate program to exploit the sale of Articles within certain key accounts of Licensee;

5.2 Licensee will deliver:

(i) within 30 days after the close of the regular shipping season of each Collection, its sales results (reflecting goods actually shipped), by style, on a unit basis, of Articles shown and sold; and within 90 days following the close of the regular shipping season a report setting forth the sell-through by Licensee's customers of Articles shipped to them;

(ii) annually, within 60 days following the close of the each Annual Period, (A) a detailed analysis of Licensee's operations under this Agreement, including sales results by Article, and by distribution outlet for each jurisdiction (country) and region of the Territory as determined in which Licensee is authorized hereunder to sell Articles, and (B) if mutually agreed, an independent analysis of sales and distribution of comparable products and of the overall market for Articles and other brands of Products, in each case in such form or forms as may be agreed upon by the parties;

(iii) within 180 days after the close of each Annual Period, (A) copies of Guarantor's audited annual financial reports (balance sheets, and statements of income and cash flow) prepared in accordance with U.S. generally accepted accounting principles, consistently applied ("U.S. GAAP"), reported on by an internationally recognized accounting firm together with a

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certificate executed by Guarantor's chief financial officer setting forth the computations necessary to demonstrate Guarantor's compliance with the financial covenants referred to in the second sentence of Guarantor's guarantee substantially in the form attached hereto (the "Guarantee"); and (B) copies of Licensee's unaudited annual financial statements prepared on a basis consistent with Guarantor's financial statements;

(iv) within 45 days after the close of each calendar quarter copies of Licensee's unaudited quarterly financial statements, which will be prepared on a basis consistent with its annual financial statements;

(v) promptly (and in any event within five business days) after discovery thereof, notice of any failure to comply with any of the financial covenants contained in Section 5.1(e) or any other default under this Agreement;

(vi) (A) By September 30 of each Annual Period, (i) Net Sales estimates (projecting in reasonable detail Net Sales by region for each of the next three succeeding Annual Periods), and (ii) a certificate, executed by Licensee's chief financial officer, certifying and setting forth appropriate evidence that Licensee's internal and committed external sources of liquidity are sufficient to fund its operations during the next succeeding Annual Period in light of such Net Sales estimates), and (B) estimated total Net Sales and total aggregate advertising and promotional expenses (including all cooperative and trade advertising, and all promotional expenses) for each Annual Period, by January 30 of the following Annual Period; and

(vii) promptly, and in any event within 5 days of filing, copies of all annual, quarterly or current reports, registration statements, proxy statements or similar filings made by the Guarantor under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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(viii) such additional information as Licensor may from time to time reasonably request.

5.3 Annually, as soon as practicable following receipt of the reports referred to in Section 5.2(i) and (ii), the parties will review and discuss the same and any other relevant aspects of Licensee's operations. Licensor may recommend such changes in such operations or in the design or merchandising of, or distribution patterns for, Articles, as it deems necessary or desirable to exploit the license granted hereunder or to ensure the cohesive development, presentation, sale, merchandising, distribution, advertising and promotion of Articles and the Licensed Mark in light of the range of other merchandise produced by Licensor or by other authorized licensees and users of the Licensed Mark. Licensee will give due consideration to such recommendations in light of its obligations hereunder.

## 6. Advertising/Promotion

6.1 Licensee will spend for co-operative and trade advertising, during each Annual Period, such amounts which will be adequate to enable Licensee to exploit the license herein granted, and which will be commensurate with expenditures of Licensor's competitors for Articles. Cooperative expenditures shall include expenditures for advertising in support of store sales, marketing tools, catalogs, fixturing for shop-in-shops, in-store point of sale materials, promotional materials and public relations event costs.

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6.2 [\*](12)

6.3 (a) For each advertising campaign: (i) Licensee will provide appropriate market information, and (ii) after consultation with Licensee but in Licensor's sole discretion, Licensor will develop themes and creative concepts and make all other necessary decisions regarding models, production, placement, execution and final product. The parties may from time to time mutually agree to arrange for an independent market study relating to Products, demographics, or market trends. Licensee will bear the costs of any such studies, which amounts will not be credited towards the Minimum Advertising Expenditure, but will be credited towards Licensee's obligations set forth in Section 6.1. Licensor may utilize CRK Advertising, a division of Licensor, for the promotion of the Articles, and for the development and placement of advertising hereunder.

(b) [\*](13)

6.4 Any qualified expenditure incurred by Licensee during any Annual Period for Consumer Advertising of Articles and the Licensed Mark in excess of the Minimum Advertising Expenditure for such Annual Period will not be credited against the Minimum Advertising Expenditure for any other Annual Period.

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(12) Confidential portions omitted and filed separately with the Commission.  
(13) Confidential portions omitted and filed separately with the Commission.

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6.5 Licensee recognizes that its public actions and statements can affect the image of Licensor, the Licensed Mark, the Articles and Licensor's other trademarks, licensees and licensed products. Accordingly, (a) the use and release of any and all promotional material (printed or otherwise) relating to the Article or Licensee's activities pursuant to this Agreement in the nature of press releases, interviews or other public relations events, and (b) any other corporate release, prospectus (preliminary and final) data or information which will or is likely to become public and, if so, could affect such image, will be prepared or conducted in consultation with, and subject to the prior approval of, Licensor's Public Relations Department. After any such approval, Licensee will not modify the approved material or activity in any material respect unless such modification is specifically approved by Licensor's Public Relations Department.

## 7. Approval Standard

7.1 Licensee acknowledges that except as otherwise specifically provided herein, Licensor's approvals required pursuant to this Agreement may be based solely on Licensor's subjective aesthetic standards and may be granted or withheld in Licensor's sole and absolute discretion, exercised in good faith.

## 8. Minimum Guaranteed Fees

8.1 [\*](14)

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(14) Confidential portions omitted and filed separately with the Commission.

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## 9. Percentage Fees

9.1 In consideration of the license granted and the design services performed by Licensor hereunder, Licensee will pay to Licensor a fee (in each case, a "Percentage Fee") equal to [\*](15)

9.2 [\*](16)

9.3 Within 30 days after the end of each quarter, Licensee will deliver a statement setting forth (i) the monthly amount of Net Sales for such quarter (ii) a computation of the amount of Percentage Fee for such quarter and (iii) an appropriate summary of all expenditures made by or on behalf of

Licensee pursuant to Article 6 of this Agreement. Such statement will also set forth in detail and separately for each country, for each category of Articles and for each account of Licensee: the style number, description, number of units, unit price and the total amount of gross sales of Articles shipped during such quarter, the type and amount of discounts and credits from gross sales deducted therefrom (separately as to each type of discount or credit) and all advertising and promotional expenditures. Each such statement will be signed by Licensee's chief financial officer and certified by him as complete and accurate.

9.4 Within 180 days after the close of each Annual Period, a report certified by Guarantor's independent certified public accountants who report on its audited financial statements, setting forth for the entire Annual

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(15) Confidential portions omitted and filed separately with the Commission.

(16) Confidential portions omitted and filed separately with the Commission.

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Period the information required by the first sentence of Section 9.3. For purposes of Sections 8 and 9, the effective date of any termination of this Agreement will be deemed to be the close of an Annual Period and the close of a quarter, and the period between the last day of the preceding Annual Period and such effective date will be deemed to be an Annual Period.

## 10. Audit

10.1 Licensee will prepare and maintain, in accordance with US GAAP, complete and accurate books of account and records covering all of its operations. While this Agreement remains in effect and for three years thereafter, during regular business hours and upon reasonable notice Licensor and its representatives may from time to time examine said books of account and records and all other documents and material in the possession or under the control of Licensee or its Affiliates relating to the subject matter of this Agreement, including the work papers of Licensee's auditors. All such books of account, records and documents will be kept available by Licensee for at least three years after the Annual Period to which they relate.

10.2 If any such examination indicates that the amount of Percentage Fee for any Annual Period should have been higher than the Percentage Fee as previously computed and reported by Licensee, Licensee will immediately remit the shortfall to Licensor, together with interest thereon computed in accordance with Section 13.1(a). If the shortfall is [\*](17) or more of the

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(17) Confidential portions omitted and filed separately with the Commission.

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Percentage Fee as previously computed and reported by Licensee, or if such examination indicates that Licensee should have known of such shortfall at the time of such computation and report, Licensee will promptly reimburse Licensor for the cost of such examination within five days of Licensor's demand therefor. If such examination indicates that Licensee made an overpayment of Percentage Fee, and such overpayment was not subsequently adjusted, Licensor shall advise Licensee and provide for appropriate adjustments or credits towards future payments by Licensee.

## 11. Certain Additional Matters

Exhibit 11 sets forth certain additional provisions regarding trademark ownership and protection (including use of Licensee's corporate name in connection with the Licensed Mark), infringement/parallel imports, copyright, confidentiality, indemnification/insurance, representations, brokerage and certain miscellaneous sections, all of which provisions are intended to be an integral part of this Agreement and are incorporated herein by reference.

12. Other Designers

12.1 During the term of this Agreement and any extension or renewal thereof:

(a) [\*](18)

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(18) Confidential portions omitted and filed separately with the Commission.

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(b) [\*](19)

13. Breach/Default

13.1 If any of the following breaches or defaults occurs, then the non-breaching party may by written notice to the breaching party terminate this Agreement as provided below:

(a) If Licensee fails to make any payment hereunder on the date such payment is due (i) Licensee will pay interest on the unpaid balance of the amount due at a rate equal to three percentage points above the prime rate per annum announced by Chase Bank in New York, New York as its prime rate as of the close of business on the date such payment initially became due until the date such amount is paid in full; and (ii) if such failure to pay continues for five business days or more following written notice thereof, Licensor may terminate this Agreement forthwith.

(b) If Licensee fails to comply with the first sentence of Section 1.5, Section 5.1(e) or Section 15.2, or the Guarantor fails to comply with the second paragraph of the Guarantee, Licensor may terminate this Agreement forthwith.

(c) If Licensee fails to perform any of its obligations hereunder, which failure may adversely affect the Licensed Mark, Licensor may terminate this Agreement forthwith: (i) if such default is incurable; or (ii) if such default is curable but continues uncured for a period of ten days or more after written notice thereof has been given to Licensee.

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(d) If either party fails to perform any other obligation hereunder, the non-defaulting party may terminate this Agreement forthwith: (i) if such default is incurable; (ii) if such default is curable, within 30 days, but continues uncured for a period of 30 days or more after written notice thereof has been given to the defaulting party or (iii) if such default is curable but not within such 30 day period and (A) all reasonable steps necessary have not been taken by the defaulting party within said 30 day period or (B) such defaulting party fails to diligently take all steps necessary to cure such default as promptly as practicable or (C) such default continues uncured within 60 days after written notice thereof has been given to the defaulting party.

(e) If the Guarantor defaults under any of its financial covenants set forth in the Guarantee or the Guarantor otherwise disavows, breaches or defaults under the Guarantee, or the Guarantor otherwise asserts that the Guarantee is invalid or unenforceable, Licensor may terminate this Agreement forthwith.

(f) If any indebtedness of the Licensee or the Guarantor in excess of \$5 million is accelerated or otherwise comes due and payable before its stated maturity, Licensor may terminate this Agreement forthwith.



13.2.1 If Licensee files a petition in bankruptcy, is adjudicated a bankrupt, becomes insolvent, makes an assignment for the benefit of creditors, or files a petition or otherwise seeks relief under or pursuant to any bankruptcy, insolvency or reorganization statute or proceeding, or if it discontinues its business or discontinues reasonable commercial exploitation of Articles for a period of 60 days or more, or a custodian, receiver or trustee is appointed for it or a substantial portion

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of its business or assets for any reason, or if it defaults on any obligation that is secured by a security interest in any Articles, this Agreement will forthwith automatically terminate, in which case no assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Licensee's assets or business will have the right to continue this Agreement or to exploit or in any way use the Licensed Mark.

13.2.2 No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of Licensee's assets or business will have the right to continue this Agreement or to exploit or in any way use the Licensed Mark if this Agreement terminates pursuant to Section 13.2.1 above.

13.2.3 Notwithstanding the provisions of Section 13.2.1, if a trustee in bankruptcy of Licensee (the "Trustee") or Licensee, as debtor, properly elects to assume this Agreement pursuant to the United States Bankruptcy Code or any amendment or successor thereto (the "Bankruptcy Code") and thereafter desires to assign this Agreement to a third party in accordance with the Bankruptcy Code, the Trustee or the Licensee, as the case may be, will notify Licensor of same in writing (the "Notice"). The Notice will constitute the grant of an option to Licensor to have this Agreement assigned to it or to its designee for such consideration, or its equivalent in money, and upon such terms, as are specified in the Notice. Such option may be exercised only by written notice given by Licensor to the Trustee or the Licensee, as the case may be, within 15 days after Licensor's receipt of

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the Notice or such shorter period of time as may be deemed appropriate by the court in the bankruptcy proceeding. If Licensor fails to give its notice within the exercise period, the assigning party may complete the assignment but only to the entity named in the Notice and upon the terms specified therein. This Section 13.2.3 shall not preclude or impair any rights which Licensor may have as a creditor in any bankruptcy proceeding.

13.3 Notwithstanding any termination in accordance with the foregoing, Licensor hereby reserves, all the rights and remedies which it has or which are granted to it by operation of law, to collect fees due, earned or payable by Licensee pursuant to this Agreement, to be compensated for damages for breach of this Agreement and to enjoin the unlawful or unauthorized use of the Licensed Mark without the necessity of posting any bond or proving any actual damages (which injunctive relief may also be sought prior to or in lieu of termination).

#### 14. Effects of Termination

14.1.1 On the expiration or earlier termination of this Agreement pursuant to Section 13 or otherwise, all the rights of Licensee hereunder will forthwith terminate and automatically revert to Licensor; provided, that except in the case of a termination (i) by Licensor pursuant to Section 13.1, or (ii) pursuant to Section 13.2, for an additional period of 180 days only on a non-exclusive basis, Licensee may continue to sell its inventory of Articles (including work-in-process and work necessary to utilize special materials not usable except in the production of Articles) ("Inventory") on hand at the date of termination, but only to the extent the

existence and amount of such Inventory as of the date of termination is disclosed in the statement (described in Section 14.1.2 below) certified by Guarantor's independent public accountants and delivered to Licensor within 15 days following termination. Such Inventory, and statement will be subject to verification by Licensor. Sales by Licensee of such Inventory will be made under the Licensed Mark and in accordance with all of the terms and provisions of this Agreement (including the payment of the Percentage Fee in connection therewith without credit for any Minimum Guaranteed Fee previously paid by Licensee), only to Licensee's regular accounts in the ordinary course of business, in accordance with sales policies in effect prior to termination, or otherwise only as may be approved by Licensor.

14.1.2 Upon expiration or early termination of this Agreement (but only in the event that Licensee has a non-exclusive period in which to dispose of inventory of finished Articles), Licensee will forthwith deliver to Licensor a statement setting forth its Inventory of Articles. Such statement will specify quantity, design and styles and will set forth Licensee's cost (as indicated in the books and records of Licensee) of such Articles and other materials and shall set forth Licensee's cost (as indicated in the books and records of Licensee) of each of such Articles and other materials. Licensor shall have the option (hereinafter called the "Inventory Purchase Option") to purchase all such Articles (other than damages and irregulars) and/or all or any portion, in its discretion, of such damages, irregulars and other materials which are included in the inventory of Licensee on the date of purchase for an amount equal to [\*](20)

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(20) Confidential portions omitted and filed separately with the Commission.

14.2 Except as provided in Section 14.1, on the expiration or earlier termination of this Agreement, and regardless of any claim for wrongful termination, Licensee will forthwith discontinue all use of the Licensed Mark, will no longer have the right to use the Licensed Mark or any variation or simulation thereof, will transfer to CKTT or Licensor, as applicable, all registrations, filings and rights with regard to the Licensed Mark which it may have possessed at any time, and will cease doing business as "Calvin Klein Home". Licensee will also thereupon deliver to Licensor or to Licensor's designee free of charge, or at Licensor's option will destroy, all materials utilized in connection with Articles and all labels, tags and other material in its possession with the Licensed Mark thereon, and will use its best efforts to cause stencils, sketches and other materials related to the production of Articles in the possession of third parties to be destroyed or otherwise rendered unusable. Licensee will not reproduce or adapt any of said stencils, sketches or other materials for use on or in connection with merchandise subsequent to the termination of this Agreement.

14.3 Licensor may, in its sole discretion, at any time, enter into such agreements as it desires pursuant to which Products bearing the Licensed Marks may be shown, advertised, distributed or sold in the Territory by it or by any duly authorized third party other than Licensee, so long as such agreements do not become effective as to the offer, sale, advertising, promotion or shipment of Exclusive Products within the Territory prior to the date of termination of this Agreement.

15.1 All reports, approvals and notices required or permitted by this Agreement to be given to any party shall be in writing and shall be delivered personally, by reputable overnight courier, telecopied or sent by certified, registered or express mail (in each case with return receipt requested), postage prepaid. Any such notice shall be deemed given when so delivered personally, telecopied, or on the date received if deposited in the mail or sent by reputable overnight courier, in each case to the party concerned at its address as set forth below or at such other address as a party may specify by notice to the other.

Licensor: Calvin Klein, Inc.  
205 West 39th Street  
New York, New York 10018  
Attention: President  
Facsimile: 212/221-3259

Copies: Calvin Klein, Inc.  
205 West 39th street  
New York, NY 10018  
Attention: Licensing Department  
Facsimile: 212/944-1959  
Attention: Corporate Affairs  
Facsimile: 212/768-8930

Licensee: Crown Crafts Designer, Inc.  
1185 Avenue of the Americas, 8th Floor  
New York, NY 10036  
Attention: President  
Facsimile: 212-824-2680

Copy: Crown Crafts, Inc.  
1600 RiverEdge Parkway, 2nd Floor  
Atlanta, GA 30328  
Attention: President  
Facsimile: 770-644-6264  
Attention: General Counsel  
Facsimile: 770-644-6264

15.2 Licensee acknowledges and recognizes that: (a) it has been granted the license herein because of its particular expertise, knowledge,

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judgement, skill and ability; (b) it has substantial and direct responsibilities to perform this Agreement in accordance with its terms; (c) Licensor is relying on Licensee's unique knowledge, experience and capabilities to perform this Agreement in specific manner consistent with the high standards of integrity and quality associated with Licensor and its business; (d) the granting of the license under this Agreement creates a relationship of confidence and trust between Licensee and Licensor; and (e) this Agreement is one under which applicable law excuses Licensor from accepting performance from, or rendering performance to, a person or entity other than licensee, within the meaning of Section 365(c) and (e) of the Bankruptcy Code (title 11, U.S. Code). Licensee may not assign or otherwise transfer any of its rights or obligations hereunder (including any attempt by Licensee to establish a sublicense or a distributorship without the prior consent of Licensor as to such sublicensee and sublicense or distributor and distributorship agreement). Any such attempted assignment, sublicense or transfer, whether voluntary or by operation of law, directly or indirectly, will be void and of no force or effect. For purposes hereof, any transfer of all or a controlling portion of the shares of Licensee (by a shareholder other than Licensor) in one or more transactions (whether over a period of time or all at once) except to Licensor or a Licensor-approved shareholder, will be deemed an attempted transfer prohibited by this Section 15.2 and will be void pursuant to the preceding sentence. In addition, upon the occurrence of a "Change of Control" (as defined) of the Guarantor, Licensor may by written notice terminate this Agreement. For purposes of this Agreement, a "Change of Control" of Guarantor shall have occurred if:

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(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the current shareholder(s) at the time of execution of this Agreement, as set forth in Section 15.2, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act,) directly or indirectly, of more than 35% of the total voting power of the voting stock of the Guarantor (or its successor by merger, consolidation or purchase of all or substantially all of its assets) or the Guarantor consummates any merger or consolidation and the stockholders of Guarantor immediately prior to such merger or consolidation do not control in the aggregate the majority of the total voting power of the voting stock of the Guarantor (or the successor formed by such merger or consolidation) immediately following such merger or consolidation ; or

(ii) during any period of two consecutive years individuals who at the beginning of such period constituted the Board of Directors of the Guarantor (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of the Guarantor was approved by a vote of a majority of the directors of the Guarantors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved or is a designee of the then remaining members of the Board of Directors of the Guarantor or was nominated or elected by such then remaining members of the Board of Directors of the Guarantor) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or

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(iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Guarantor; or

(iv) the adoption by the stockholders of a plan for the liquidation or dissolution of the Guarantor.

15.3 This Agreement together with the Exhibits and Schedules attached hereto, all of which are incorporated herein by reference, contains the final, complete and exclusive understanding and agreement between the parties hereto with respect to the subject matter hereof, supersedes all prior oral and written understandings (except for the confidentiality agreement entered into by the parties) and may not be modified, nor may any of the provisions hereof be waived, except by a writing executed by the parties.

15.4 This Agreement will be considered as having been entered into in the State of New York and will be construed and interpreted in accordance with the laws of that state applicable to agreements made and to be performed therein. However, disputes regarding the Licensed Mark will be resolved in accordance with the U.S. Federal trademark laws and related laws, statutes, rules and regulations of the United States unless there are no U.S. Federal laws, statutes, rules or regulations dispositive of such dispute, in which event such disputes will be resolved in accordance with the previously described laws of the State of New York.

15.5 Licensee acknowledges and agrees that the effectiveness of this Agreement is contingent upon simultaneous execution and delivery of the Guarantee by the Guarantor.

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

CALVIN KLEIN, INC.

BY:/s/ BARRY SCHWARTZ

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CROWN CRAFTS DESIGNER, INC.

BY:/s/ Michael Bernstein

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Exhibit A  
Licensed Mark

[CALVIN KLEIN LOGO APPEARS HERE]

## EXHIBIT 11

## I. Trademark Ownership and Protection

I-1 Licensee will not (a) co-join any name or names with the Licensed Mark, (b) use the name "Calvin Klein" or "CK" or any portion or derivative thereof in its corporate name, or (c) use any other name, or names in connection with the Licensed Mark, in any advertising, promotion, publicity, labeling, packaging or other printed matter of any kind in connection with the distribution or sale of Articles except as may be required or approved by Licensor; provided, that Licensee may do business as "Calvin Klein Home" and in connection therewith will make appropriate "fictitious name" filings (subject to Licensor's prior review and approval). Any use of Licensee's corporate name or that of its Affiliates in connection with the Licensed Mark will be subject to the approval of Licensor, and will clearly indicate that the Licensee is using the Licensed Mark pursuant to a license from Licensor.

I-2 Licensee acknowledges that Calvin Klein Trademark Trust ("CKTT") is the owner, and Licensor is the beneficial owner, of all right, title and interest in and to the mark "CALVIN KLEIN," and to any variant or modification thereof, for Products in the Territory in any form or embodiment thereof. CKTT also owns the goodwill related to such mark and to the business and goods in relation to which such mark has been or will be used. Licensee will not at any time directly or indirectly do or suffer to be done any act or thing that might in any way adversely affect any rights of CKTT or Licensor in and to any of such mark, any registrations thereof or any applications for registration, thereof or that might reduce the value thereof or detract from its reputation, image or prestige of that of CKTT, Licensor or Mr. Calvin Klein. Sales by Licensee and its Affiliates will be deemed to have been made by CKTT for purposes of trademark registration and all uses of the Licensed Mark by Licensee and its Affiliates and goodwill generated by use of the Licensed Mark will inure to the benefit of CKTT.

I-3 At Licensor's request, Licensee will execute any and all reasonable documents (including registered user agreements) and take any other similar actions reasonably required by Licensor to confirm CKTT's ownership or Licensor's beneficial ownership of the marks referred to in Section I-2 and the respective rights of CKTT, Licensor and Licensee pursuant to this Agreement. Licensee will cooperate with Licensor and will take any actions reasonably requested by Licensor in connection with the filing and prosecution by Licensor of applications in CKTT's name (or if applicable, Licensor's name) to register the Licensed Mark for Articles and in connection with the maintenance and renewal of such registrations as may issue. Upon termination of this Agreement, Licensee will execute such documents as reasonably required by Licensor to evidence such termination. Licensor will bear all expenses in connection with the preparation and filing of all such documents (excluding any costs or expenses for review of such documents by Licensee or its representatives) filing of registered user agreements and with any documents required to evidence termination of this Agreement, including termination of such registered user agreements. In order to effect the foregoing, Licensee will execute the power of attorney set forth as Exhibit 11 I-3 hereto.

I-4 Licensee will use the Licensed Mark in the Territory strictly in compliance with the legal requirements obtaining therein and will use such

markings in connection therewith as may be required by applicable legal provisions. Licensee will cause to appear on all Articles and on all materials on or in connection with which the Licensed Mark is used, such legends, markings and notices as may reasonably be necessary in order to give appropriate notice of any trademark, trade name or other rights therein or pertaining thereto as Licensor may request.

I-5 Whether during the term of this Agreement or subsequent to its termination, Licensee will never (a) challenge Licensor's ownership of or the validity of the Licensed Mark or any application for registration thereof, or any trademark registration thereof, or any rights of Licensor therein, or (b) challenge the fact that Licensee's rights pursuant to this Agreement are solely those of a licensee.

## II. Infringement/Parallel Imports

II-1. Whenever Licensee learns of any infringement or imitation of the Licensed Mark or of any use by any person of a trademark similar to the Licensed Mark or of any acts of unfair competition involving the Licensed Mark as they relate to Products, it will promptly notify Licensor thereof. Licensor will thereupon take such action as it deems advisable for the protection of Licensor's rights in and to the Licensed Mark, including, without limitation, reasonably requiring Licensee to take action in Licensor's name and on Licensor's behalf, in which case Licensee will cooperate with Licensor in all reasonable respects. In no event will Licensor be required to take any action which Licensor deems in good faith to be inadvisable. In the event Licensor requires Licensee to take action on Licensor's behalf, Licensee will do so, as Licensor deems reasonably appropriate, strictly in accordance with Licensor's directions and will advise Licensor of all developments as they occur. In all such instances Licensor and Licensee will consider the effect the infringement is having on the market, the costs of such contemplated action and the likelihood of success. Licensee will take no action with respect to the Licensed Mark including, without limitation, initiating proceedings, settling any action, appealing any adverse decision or discontinuing any action taken by it, except to the extent the same is approved in advance by Licensor. Subject to Section II-4, Licensee will bear all expenses (including investigation expenses and legal fees and expenses) incurred with respect to any actions taken pursuant to this Section. Any damages recovered or sums obtained in settlement in or with respect to any action described in this Section II-1 or Section II-2 will first be applied to reimburse Licensee and/or Licensor for the legal expenses incurred and actually paid by it; the balance, if any, will be allocated 50% to each of the parties.

II-2 Licensee will use commercially reasonable efforts to minimize and deter the diversion of Articles for sale outside of the Territory (including, without limitation, unauthorized distribution of Articles by Licensee's manufacturers and subcontractors) ("Diversion"). Licensee will cooperate with Licensor in Licensor's efforts to minimize and deter Diversion ("Anti-Diversion Efforts"). Without limiting the foregoing:

(a) Licensee will promptly provide such information as Licensor may from time to time reasonably request concerning its manufacturing, subcontracting and distribution locations, activities and

shipments, product and label identification systems and data and sales to and by its customers; and

(b) Licensee will promptly reimburse all out-of-pocket expenses reasonably incurred by Licensor in its Anti-Diversion Efforts (including, without limitation, reasonable attorneys' fees and expenses).

II-3 Where Licensor deems it advisable and with Licensee's consent, Licensor will initiate criminal or civil actions against the persons outside Territory seeking to manufacture counterfeit Articles or sell or ship counterfeit Articles into the Territory (excluding, for this purpose, manufacturers or subcontractors described in the definitions of Diversion). The cost related to any such actions will be entirely for Licensee's account.

II-4. Licensor will consult with Licensee in planning and enforcement activities pursuant to this Section II. The parties will establish and from time to time revise a budget for such enforcement activities. Licensor may not seek reimbursement from Licensee with respect to any action covered by Sections II-1 or II-2 unless, at the time of commencement thereof, Licensee shall have consented to such commencement. Licensor will use commercially reasonable efforts to control the costs of all such actions. The parties will consult and cooperate to forecast Licensor's reimbursable expenses hereunder and make suitable arrangements so that Licensor may receive Licensee's payments in respect thereof at or shortly before such expenses are incurred.

### III. Copyright

III-1. Licensee acknowledges that all rights (including copyright and design patent rights) in any works or contributions to works including, without limitation, sketches, designs, packaging, labels, tags, advertisements, promotional material or the like used in connection with the Licensed Mark ("Works") which are created by Licensor will be owned by Licensor. In addition, Licensee hereby assigns to Licensor all right, title and interest in any Works or contributions to Works which may be created by Licensee. Licensee will execute and deliver to Licensor such further instruments of ownership and transfer in respect thereto as Licensor may request in connection with the foregoing and, if Licensee will fail to do so, Licensor may execute such instruments on behalf of Licensee and make appropriate dispositions thereof. Works and contributions to Works may be prepared by Licensee only through Licensee's employees whose contribution is to be considered a "work made for hire" and by others who have executed a written assignment in favor of Licensee. Licensee will not, at any time, do or suffer to be done any Works, including, without limitation, filing any application to record in its name any claims to copyrights with respect to Articles or material utilizing the Licensed Mark; and Licensee will do any and all things reasonably required by Licensor to preserve and protect said rights, including, but not by way of limitation, placing the copyright notice specified by the Universal Copyright Convention on all such copyrightable material.

### IV. Confidentiality

IV-1. All information relating to this Agreement and any related agreements entered into by the parties or relating to Licensor and its Affiliates and/or designees which Licensee learns or has learned since the commencement of negotiation of this Agreement, all design concepts which

Licensor or its Affiliates or designees provide to Licensee hereunder and all sketches and designs received by Licensee from Licensor or its Affiliates or designees or are approved for use in connection with the Articles and all Works (collectively, "Licensor's Data") are valuable property of Licensor and such Affiliates or designees. Licensee acknowledges the need to preserve the confidentiality and secrecy of Licensor's Data. During and after the term of this Agreement, Licensee will not use or disclose same (except for use required to fulfill the provisions of this Agreement during the term or any renewal or extension hereof), and will take all necessary steps to ensure that the use of Licensor's Data by Licensee or its Affiliates or designees (which use and designees will be solely as necessary for the manufacture, distribution, sale, advertising or promotion of Articles hereunder) will preserve such confidentiality and secrecy in all respects. Notwithstanding the foregoing, Licensee's obligations to keep Licensor's Data confidential will terminate (except for designs and design concepts and materials) at such time and solely to the extent that any such Licensor's Data will become generally known to the public and in the public domain, through no fault of Licensee or any or its Affiliates or designees. Licensee agrees that in the event if reasonably determines that it must disclose certain information regarding this Agreement



and/or file this Agreement as a exhibit to any public filings, that it will (i) consult with Licensor prior to any such disclosures and (ii) use its commercially reasonable efforts to seek confidential treatment of portions of this Agreement under the Securities Act of 1933, as amended or the Exchange Act, as the case may be, as agreed to between Licensor and Licensee.

IV-2. All information relating to Licensee and its Affiliates and/or designees which Licensor learns or has learned since the commencement of negotiation of this Agreement other than Licensor's Data (collectively "Licensee's Data") is valuable property of Licensee and such Affiliates or designees. Licensor acknowledges the need to preserve the confidentiality and secrecy of Licensee's Data. During and after the term of this Agreement, Licensor will not use or disclose same (except for use required to fulfill the provisions of this Agreement during the term of any renewal or extension hereof and use deemed necessary by Licensor in connection with its business), and will take all necessary steps to ensure that the use of Licensee's Data by Licensor or its Affiliates or designees (which use by such designees will be solely as necessary for the manufacture, distribution, sale, advertising or promotion of Articles hereunder) will preserve such confidentiality and secrecy in all respects. Notwithstanding the foregoing, Licensor's obligations to keep Licensee's Data confidential will terminate at such time and solely to the extent that any such Licensee's Data will become generally known to the public and in the public domain, through no fault of Licensor or any of its Affiliates or designees.

#### V. Indemnification/Insurance

V-1. Licensee hereby indemnifies and holds harmless each of Licensor, CKTT and Calvin Klein, individually, and their respective Affiliates, directors, shareholders, employees and agents from and against any and all losses, liability, damages and expenses (including reasonable attorneys' fees and expenses) which any of them incur or for which any of them may become liable or be compelled to pay in any action or claim, for or by reason of or resulting from any acts of Licensee or its Affiliates or any of their respective directors, shareholders, employers or agents pursuant to (or

failure of Licensee to take acts required by) this Agreement, excluding those matters as to which Licensee is indemnified pursuant to Section V-3. The provisions of this section and the obligations of Licensee set forth herein will survive expiration or other termination of this Agreement.

V-2. Licensee will procure and maintain at its own expense in full force and effect at all times during which Articles are being sold with a responsible insurance carrier licensed to do business in the State of New York and acceptable to Licensor, a public liability insurance policy including products liability coverage as well as contractual liability with respect to this Agreement with a limit of liability of not less than \$5,000,000. Such insurance policy will insure against occurrences happening at any time during which Articles are being sold or used regardless of when claims may be made. Such insurance policy will be written for the benefit of CKTT, Licensor, Licensee and Calvin Klein, individually, and will provide for at least ten days prior written notice to Licensor and Licensee of the cancellation or substantial modification thereof. Such insurance may be obtained by Licensee in conjunction with a policy of products liability insurance which covers products other than Articles. Licensee will deliver a certificate of such insurance to Licensor promptly upon issuance of said insurance policy and will, annually and otherwise from time to time, upon reasonable request by Licensor, promptly furnish to Licensor evidence of the maintenance of said insurance policy. Nothing contained in this Section V-2 will be deemed to limit in any way the indemnification provisions of Section V-1 above.

V-3. [\*](21)

#### VI. Representations

VI-1. Licensor represents and warrants that (i) it has full right, power and authority to enter into this Agreement, including the right to grant the License to use the Licensed Mark contemplated by this Agreement, and to

perform all of its obligation hereunder. [\*](22)

VI-2. Licensee represents and warrants that it has full right, power and authority to enter into this Agreement and to perform all of its obligations hereunder.

## VII. Additional Miscellaneous Provisions

VII-1. Each party hereby indemnifies and holds the other party and its respective employees and Affiliates harmless from and against any and all liabilities (including reasonable attorneys' fees and disbursements paid or incurred in connection with any such liabilities) for any brokerage commissions or finder's fees due any broker or finder engaged, utilized or

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(21) Confidential portions omitted and filed separately with the Commission.

(22) Confidential portions omitted and filed separately with the Commission.

contacted by such indemnifying party in connection with this Agreement or the transactions contemplated hereby.

Each party agrees that it will bear its own expenses related to any claim arising from the predecessor license as referred to in the Agreement, and will refrain from making claims against the other in connection herewith.

VII-2. Except as otherwise provided herein, this Agreement will inure to the benefit of and will be binding upon the parties and permitted successors and assigns.

VII-3. This Agreement will not constitute the parties as partners or as joint venturers, or either as agent of the other, and Licensee will have no power to obligate or bind Licensor in any manner whatsoever. Licensor will have no responsibility for the operation or production of Licensee's manufacturing, distribution or sales facilities or for any decisions that may be made in connection therewith regardless of whether Licensor approves or suggests any of the same.

VII-4. No waiver by either party of any breach hereof or default hereunder will constitute a continuing waiver of such provision or of any other provision of this Agreement. Acceptance of payment by Licensor will not be deemed a waiver by Licensor of any violation of or default under any of the provisions of this Agreement by Licensee.

VII-5. If any portion of this Agreement will be held to be void or unenforceable, the remaining provisions of this Agreement and the remaining portion of any provision held void or unenforceable in part will continue in full force and effect.

VII-6 The parties expressly agree that the courts of the State of New York and the federal courts located in the State of New York will be the exclusive forum for the adjudication of any disputes relating to this Agreement or the subject matter hereof, and that any judgement, award or order issued by the courts of the State of New York and/or the federal courts located in the State of New York will be enforceable in the courts in any jurisdiction in the Territory. Licensee expressly and irrevocably submits to the jurisdiction of the courts of the State of New York the federal courts located in the State of New York and waives any right to contest the jurisdiction of such courts to adjudicate disputes relating to this Agreement or the subject matter hereof and waives any objection to the laying of venue of any suit or proceeding in such courts. Notwithstanding anything to the contrary in this Agreement, Licensee expressly agrees that Licensor will have the right to enjoin use of the Licensed Mark in any venue or jurisdiction in the Territory. Service of any notice, process, motion or other document in connection with proceedings relating in any way to this Agreement or the subject matter hereof may be effectuated, either by personal service or in the same manner as notices are to be given pursuant to Section 15.1.

VII-7 This Agreement will be construed without regard to any

presumption or other rule requiring construction against the party causing this Agreement to be drafted. If any words or phrases in this Agreement will have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Agreement will be construed as if those words or phrases were never included in this Agreement, and no

implication or inference will be drawn from the fact that the words or phrases were so stricken out or otherwise eliminated.

VII-8 Bankruptcy Option Notwithstanding the provisions of Section 13.2.1 above, in the event that, pursuant to the Bankruptcy Code or any amendment or successor thereto (hereinafter referred to as the "Bankruptcy Code"), a trustee in bankruptcy of Licensee (hereinafter referred to as the "Trustee") or Licensee, as debtor (hereinafter referred to as the "Debtor"), is permitted to assume this Agreement and does so and, thereafter, desires to assign this Agreement to a third party, which assignment satisfies the requirements of the Bankruptcy Code, the Trustee or the Debtor, as the case may be, will notify Licensor of same in writing (hereinafter referred to as the "Notice"). The giving of the Notice will be deemed to constitute the grant of an option to Licensor to have this Agreement assigned to it or to its designee for such consideration, or its equivalent in money, and upon such terms, as are specified in the Notice. The aforesaid option may be exercised only by written notice given by Licensor to the Trustee or the Debtor, as the case may be, within 15 days after Licensor's receipt of the Notice from such party or such shorter period of time as may be deemed appropriate by the court in the bankruptcy proceeding. If Licensor fails to give its notice to such party within the exercise period, such party may complete the assignment referred to in its notice but only to the entity named in the Notice and upon the terms specified therein. Nothing contained herein will be deemed to preclude or impair any rights which Licensor may have as a creditor in any bankruptcy proceeding.

Schedule 15.2

SHAREHOLDERS OF CROWN CRAFTS, INC.

[\*](23)

- -----  
(23) Confidential portions omitted and filed separately with the Commission.

Schedule 11 1-3

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned (the "Licensee") hereby confirms that the Calvin Klein Trademark Trust ("CKTT") is the owner, and Calvin Klein, Inc. ("CKI") is a beneficial owner, of "Calvin Klein", "CK/Calvin Klein", and all modifications and derivatives thereof (the "Licensed Mark") and hereby appoints any and all officers of CKI including but not limited to Deirdre Miles-Graeter, Assistant Secretary and Vice President Corporate Affairs, as its true and lawful attorney-in-fact, with full power of substitution, in connection with the maintenance, prosecution, defense and transfer of the Licensed Mark, with full irrevocable power and authority in the place of the Licensee and in the name of the Licensee or in its own name as nominee for the Licensee, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the foregoing including, without limitation:

(i) the full power to sign its name upon all documents and filings (including registered user agreements) and to take any actions required to confirm the ownership of CKTT or CKI's beneficial ownership of the Licensed Mark in the jurisdictions covered by its licensee agreement (the "Territory") and the respective rights of CKTT, CKI and Licensee with respect to the Licensed Mark;

(ii) the full power to sign its name upon all documents and filings and to take any actions required by CKI and/or CKTT in connection with the filing and prosecution of applications in CKTT's name (or, if applicable, CKI's name) to register the Licensed Mark in the Territory and in connection with the maintenance and renewal of such registrations as may issue; and

(iii) from and after such time as Licensee's right to use the Licensed Mark terminates, the full power to sign its name upon all documents and filings and to take any actions required by CKI to evidence such termination, including, without limitation, documents and filings required by CKI to transfer to CKI all registrations, filings and rights with regard to the Licensed Mark which Licensee may have possessed at any time and to affirm or confirm CKTT's or CKI's rights in and to the Licensed Mark.

This Power of Attorney is governed by the laws of the State of New York applicable to powers of attorney made and to be exercised wholly within such State.

Dated: This \_\_\_\_ day of \_\_\_\_\_, 199\_\_

Crown Crafts Designer, Inc.

By:  
-----

Name:  
-----

Title:  
-----

Address

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-----  
-----

SCHEDULE B  
LICENSED PRODUCTS

SOFT HOME FURNISHED PRODUCTS

Comforters (Std. & Down)(23)  
Pillows (Std. & Down)(1)  
Down Featherbeds(1)  
Decorative Pillows  
Sheets and Pillowcases  
Towels  
Bedspreads  
Coverlets  
Quilts  
Shams  
Dust Ruffles  
Shower Curtains  
Bath Rugs  
Bath Valances  
Duvets/Duvet Covers  
Napkins  
Placemats  
Chair Pads  
Table Rounds  
Tablecloths  
Throws  
Blankets  
Window Treatments  
Bath Accessories: (bath mirrors, soap dishes, tumblers, tissue boxes,  
bathroom trays)(24)

- - - - -
- (1) Down comforters and pillows (standard and down) and Down Featherbeds are to be produced and sold pursuant to a sublicense and by a sublicensee to be subject to the approval of Licensor (including the specific terms of any sublicense)
  - (2) To be produced by Swid Powell, Inc. or other contractors designated by Licensor and sold by Licensee.

SCHEDULE C

1. United States of America
2. Canada
3. Mexico
4. Europe
  - Belgium
  - Netherlands
  - Luxembourg
  - Denmark
  - Germany
  - France
  - Monaco
  - Italy
  - Great Britain
  - Ireland
  - Portugal
  - Spain
  - Greece
  - Austria
  - Finland
  - Iceland

- Liechtenstein
- Norway
- Sweden
- Switzerland
- 5. South America
  - Venezuela
  - Guyana
  - Suriname
  - French Guiana
  - Colombia
  - Ecuador
  - Brazil
  - Peru
  - Bolivia
  - Paraguay
  - Chile
  - Uruguay
  - Argentina
- 6. Central America
  - Belize
  - Guatemala
  - Honduras

SCHEDULE C (continued)

- El Salvador
- Nicaragua
- Costa Rica
- Panama
- 7. Caribbean Islands
  - The Bahamas
  - Cayman Islands
  - Jamaica
  - Haiti
  - Dominican Republic
  - Puerto Rico
  - British Virgin Islands
  - U.S. Virgin Islands
  - Anguilla
  - St. Martin
  - St. Barthelemy
  - St. Kitts & Nevis
  - Antigua & Barbuda
  - Montserrat
  - Guadeloupe
  - Dominica
  - Martinique
  - St. Lucia
  - Barbados
  - Grenada
  - Trinidad & Tobago
  - Aruba
  - Curacao
  - Cuba
  - Turks & Caicos Islands
  - Bermuda
  - St. Vincent & the Grenadines
  - Netherlands Antilles
- 8. The Middle-East
  - Israel
  - Egypt
  - Jordan
  - Kuwait

- Saudi Arabia
- Turkey
- United Arab Emirates
- Dubai

#### SCHEDULE D

[\*](24)

- - - - -

(24) Confidential portions omitted and filed separately with the Commission.

#### GUARANTEE

In order to induce Calvin Klein, Inc. ("Licensor") to enter into the license agreement (the "Agreement") with Crown Crafts, Inc. ("Licensee") which is being executed simultaneously herewith and in consideration of the covenants and promises made by Licensor in the Agreement, the undersigned (the "Guarantor"), being the parent of Licensee, unconditionally guarantees that Licensee will perform and observe each and every agreement, covenant, representation, warranty, term and condition of the Agreement to be performed or observed by it, and upon Licensee's failure to do so, the Guarantor will promptly perform and cause the same promptly to be performed and observed. The Guarantor unconditionally guarantees that all sums of whatever character which may become payable by Licensee pursuant to the Agreement or contemplated by the Agreement (including amounts which would be paid but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. 362(a) of any other provision of bankruptcy law) will be paid promptly in full when due. If for any reason whatsoever any sum hereinabove referred to, or any part thereof, shall not be paid promptly when due, the Guarantor will immediately pay the same regardless of whether Licensor has taken steps to enforce any right against Licensee to collect any of said sums and regardless of any other condition or contingency.

The Guarantor undertakes to adequately finance the operations of the Licensee and shall, at all times throughout the Term, maintain (i) a tangible net worth (where "tangible net worth" shall mean the amount of shareholders' equity shown in the consolidated balance sheet of Crown Crafts,

Inc. and subsidiaries reduced by the unamortized balance of any intangibles shown in such consolidated balance sheet) of not less than [\*](25), and (ii) a ratio of debt to total capitalization (where "debt" shall mean the total amounts of notes payable, current maturities of long-term debt as shown in the consolidated balance sheet of Crown Crafts, Inc. and subsidiaries and "total capitalization" shall mean the sum of "debt" plus shareholders' equity as shown in such consolidated balance sheet) of not more than [\*](26) percent.

Notwithstanding anything to the contrary contained herein, to the extent this Guarantee relates to the payment of sums due to Licensor under the Agreement, it is a Guarantee of payment and not of collection and a continuing guarantee which will remain in full force and effect and be binding upon the undersigned until payment in full by Licensee to Licensor of all sums due pursuant to the Agreement.

The representations, warranties, obligations, covenants, agreements, and duties of the Guarantor under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following with respect to the Agreement although without notice to or the further consent of the Guarantor: (i) the waiver by Licensor of the performance or observance by Licensee of any agreement, covenant, warranty, representation, term, or condition contained in the Agreement; (ii) the

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(25) Confidential portions omitted and filed separately with the Commission.

(26) Confidential portions omitted and filed separately with the Commission.

extension, in whole or in part, of the time for the payment by Licensee of any sums owing or payable under the Agreement, or of the time or performance by Licensee of any of its other obligations under or arising out of the Agreement; (iii) the modification or amendment (whether material or otherwise) of any of the obligations of Licensee under the Agreement; (iv) any failure, omission, delay or lack on the part of Licensor to enforce, assert or exercise any right, power or remedy conferred on Licensor in the Agreement or otherwise; (v) the release or equitable discharge of Licensee from the performance or observance of any agreement, covenant, warranty, representation, term or condition of the Agreement by operation of law; (vi) the voluntary or involuntary liquidation, reorganization or dissolution of, or the receivership, insolvency, bankruptcy, assignment for the benefit of a creditors or similar proceedings affecting the Licensee or any of its assets; or (vii) any discharge of Licensee from any of its obligations under the Agreement.

No failure on the part of Licensor to exercise, and no delay in the exercise of, any right, remedy or power hereunder will operate as covenant, term or condition under the Agreement or in the payment of any sums payable by it thereunder.

This Guarantee will be construed and enforced under the laws of the State of New York applicable to agreements made and to be performed in said State.

The Guarantor represents and warrants that it is not entitled to immunity from judicial proceedings commenced in the State of New York, U.S.A., and agrees that, should any judicial proceedings be brought to enforce their liability hereunder, they will not claim any immunity from such proceedings for itself or with respect to its property.

The Guarantee cannot be changed, discharged or terminated orally.

The Guarantor hereby waives acceptance of this Guarantee.

Crown Crafts, Inc.

Dated: 6 May 1998  
New York, New York

By: /s/ Michael Bernstein



-----  
1600 RiverEdge Parkway, Suite 200

-----  
Address

Atlanta, Georgia 30328  
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May 6, 1998

License Agreement  
Dated as of May 11, 1998  
(Supplemental Agreement)

WHEREAS, Calvin Klein, Inc. ("Licensor") and Crown Crafts Designer, Inc. ("Licensee") have today entered into the above-captioned License Agreement relating to certain soft home furnishings products (the "License Agreement"); and

WHEREAS, the parties desire to set forth certain clarifications and modifications of the license Agreement; and

WHEREAS, terms not otherwise clarified herein shall have the meanings ascribed to such terms in the License Agreement;

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. [\*] (27)
2. [\*] (28)
3. [\*] (29)
4. [\*] (30)

-----  
(27) Confidential portions omitted and filed separately with the Commission.

(28) Confidential portions omitted and filed separately with the Commission.

(29) Confidential portions omitted and filed separately with the Commission.

(30) Confidential portions omitted and filed separately with the Commission.

5. [\*] (31)

6. [\*] (32)

Except as modified by this Supplementary Agreement, the License Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this letter as of the date above written.

CALVIN KLEIN, INC.

By: /s/ Bary Schwartz

-----  
Name: Bary Schwartz  
Title: Chairman

CROWN CRAFTS DESIGNER, INC.

By: /s/ Michael H. Bernstein

-----  
Name: Michael H. Bernstein  
Title: President

- 
- (31) Confidential portions omitted and filed separately with the Commission.
  - (32) Confidential portions omitted and filed separately with the Commission.

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Burgundy Interamericana, S.A. de C.V., a Mexican corporation

Churchill Weavers, Inc., a Kentucky corporation

Crown Crafts Designer, Inc., a Georgia corporation

Crown Crafts Home Furnishings, Inc., a New York corporation

Crown Crafts Home Furnishings of Illinois, Inc., a Delaware corporation

Crown Crafts Infant Products, Inc., a Delaware corporation

Crown Crafts International, Inc., a Georgia corporation

Crown Crafts Real Estate, Inc., a Georgia corporation

G.W. Stores, Inc., a North Carolina corporation

Hamco, Inc., a Louisiana corporation

Noel Joanna, Inc., a California corporation

Textile, Inc., a North Carolina corporation

The Red Calliope and Associates, Inc., a California corporation

Woven Classic Throws, Inc., a New Hampshire corporation

Exhibit 23

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Crown Crafts, Inc. and subsidiaries on Form S-8 of our report dated May 29, 1998, appearing in the Annual Report on Form 10-K Crown Crafts, Inc. and subsidiaries for the year ended March 29, 1998.

/s/ Deloitte & Touche LLP

Atlanta, Georgia  
July 13, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CROWN CRAFTS FOR THE 9 MONTH PERIOD ENDED DECEMBER 29, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CROWN CRAFTS, INC. FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 28, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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