

**SCHEDULE 14A**

(RULE 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the registrant ☐

Filed by a party other than the registrant ☒

Check the appropriate box:

☐ Preliminary proxy statement.

☐ Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).

☐ Definitive proxy statement.

☒ Definitive additional materials.

☐ Soliciting material under Rule 14a-12.

CROWN CRAFTS, INC.

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(Name of Registrant as Specified in its Charter)

WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P.  
WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P. I  
WYNNEFIELD SMALL CAP VALUE OFFSHORE FUND, LTD.  
WYNNEFIELD CAPITAL MANAGEMENT, LLC  
WYNNEFIELD CAPITAL, INC.  
CHANNEL PARTNERSHIP II, L.P.  
NELSON OBUS  
JOSHUA H. LANDES

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(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

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Payment of filing fee (check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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# The Wynnefield Capital Group

Presentation to  
Institutional Shareholder Services

July 26, 2007

# Today's Agenda

- Wynnefield Capital Group – Who We Are
- Crown Crafts Situation Analysis
- Wynnefield's Action Plan
- Summary

# The Wynnefield Capital Group

- Value Investor in Small and Micro-Cap Stocks Since 1992
- Long-term, Patient Investors
- Under-Followed, Under-Recognized and Under-Valued companies
  - Minimal Balance Sheet Risk
  - Potential to Unlock Value Thru Remedying Problems
- \$450M Invested

# The Wynnefield Capital Group

- Only Take Actions that Benefit Entire Class of Investors
- Constructive Approach Driven By Dialogue
- Adherence to Best Practices

# The Wynnefield Capital Group

- Wynnefield has Worked with Other Companies to Successfully Create Value
  - Layne Christensen Company- Worked with the Company on their Capital Allocation Process. Stock has increased from \$9 to \$44.
  - Cornell Companies, Inc.- Worked to Short-Circuit Attempted Private Equity Buy-out. Stock Immediately Traded Over Deal Price.  
Supported Negotiations (Through Chairman of Compensation Committee) which Led to Retention of CEO despite Loss of Deal
  - Allied Defense Group, Inc.- Granted Board Seat in December 2006, Filled by Frederick Wasserman  
Wasserman Instrumental in Focusing Board and Management on Impending Significant Financial Issues.
    - » Hands-on Involvement (at the request of Management and the Board)  
Played a Key Role in the Successful Negotiations with Note Holders, Settling Default Claims and Re-financing the Company.

# The Wynnefield Capital Group

- In Another Situation, First Aviation Service, Inc. (“FAVS”) Did Not Work With Wynnefield
  - ISS Supported Wynnefield’s Position, Despite Management’s Locked-in Majority
  - Wynnefield was Unsuccessful, as Was Inevitable Due to the Share Ownership
  - Wynnefield undertook the campaign as a matter of principle for the benefit of all stockholders
  - Company has Continued to Struggle and has Now Filed to Go Dark



# The Wynnefield Capital Group

- Nelson Obus
  - Wynnefield's Managing Partner Since 1992
  - 45 Years Experience as a Value Investor
  - 20 Years Experience as a Textile Industry Analyst

# Frederick Wasserman

- Financial and Management Consultant
- Currently serving on 6 Boards
- 31 Years of Experience with Middle Market Companies
  - 13 Years as a CPA
  - 18 Years as CFO and President
- Served as Wynnefield's Observer to CRWS's Board

# Crown Crafts Situation Analysis

- Wynnefield first invested in Crown Crafts in 1999
- The Largest Shareholder, Currently owns >14% of the stock
- Wynnefield has Been Very Supportive of the Company and the Board to Date.
  - Most Notably, No Strings Attached Support of Company's Controversial Move to Re-incorporate in Delaware from Georgia.
  - This Move was Necessary if the Company was to Increase the Number of Shares Outstanding. The Increase in Shares was Needed to Support Warrants to be Issued to the Company's Banks.
  - Despite Other Shareholders' Concerns, Wynnefield Researched the Situation until Confident that Management was Right and then Provided the support.
- Wynnefield Has Actively Pursued Full Voting Board Representation over Last Several Years, but has been offered only "Advisory Observer" status.

# Crown Crafts Situation Analysis

- “Past Performance is not Necessarily Indicative of Future Results”
- Management has Been Able to Financially Stabilize the Balance Sheet over the Last Several Years
  - Refinancing Transaction that Resulted in Significant Increase in Equity Value
  - Continual Improvement in Sourcing
  - Cost Cutting Efforts
  - Decision to Close Churchill Weavers
- However, They Have Not Been Able to Address Other Critical Areas
  - Not in Sales and Marketing
  - Not Strategic in Nature
  - Capital Structure-Related Initiatives Now In Place Have Been Urged By Wynnefield Over Last Several Years

# Crown Crafts Situation Analysis

- Crown Crafts is Now at a Crossroads
  - Growth Potential without Revenue Momentum is Limited, despite the Company's Operational Expertise
  - The Entire Industry's Dependence on a Limited Number of Retailers Eliminates the Company's Leverage
  - Company is Vulnerable to Larger Competitors
  - Without Forward Momentum, the Stock Valuation is Vulnerable to Any Operational Setback
    - » See Recall of Baby Bibs Earlier This Year
    - » Financially Immaterial; Valuation Drop Significant

# Crown Crafts Situation Analysis

- Company Operates in a Very Challenging Environment
  - Large Competitors
  - Overly Reliant on 3 Customers
  - Customer Base is Capable of Vertical Integration
  - Dependent on Licensed Properties
  - Gross Margins are Very Tight

# Crown Crafts Situation Analysis

- Challenging Environment has led to
  - Declining Sales over 7 Year Period
  - Stagnant Operating Income

# Crown Crafts Situation Analysis

- At This Crossroads, Crown Crafts Requires a Long Term Strategic Approach to its Challenges
  - Tactics will Only Carry the Company to a Certain Point
  - Financial Engineering and Cost Cutting cannot Replace Revenue Growth
  - The Board as Currently Comprised has Not Provided the Vision Necessary to Generate Such a Plan or the Leadership to Insist Management Provide that Vision



# Crown Crafts Situation Analysis

- Company has a Thin Management Team and is Very Dependent on President/CEO
  - Sales
  - Sourcing
  - Licensing
  - Banking relationship
  - Investment community
- No Announced Succession Plan

# Crown Crafts Situation Analysis

- Wynnefield believes Good Corporate Governance Practices Create and Protect Shareholder Value
- Directors' Compensation is Paid over 96% Cash, with Only a Minimal Option Position, Dramatically Out of Line with Current Best Practices
- Corporate Governance Issues Have Resulted in a CGQ of 2 and a CGQ in Comparison to its Peers of 17.1%
  - No Nominating Committee
  - Affiliated Director on Compensation Committee
  - Staggered Board Structure
  - Dual CEO/Chairman, without Lead Director
  - No Governance Committee

# Crown Crafts Situation Analysis

- Result
  - Issues have led to
    - 33% decline in Stock Price from February
    - Exceptionally low EV to EBITDA Ratio Compared to Peers and Market

# Crown Crafts Situation Analysis

- Despite The Situation, the Current Board has
  - Not Insisted on a Succession Plan
  - Not Instituted a Stock Buy Back Plan until Proxy Fight Began
  - Not Aggressively Monitored Updated Corporate Governance Practices
  - Allowed the Company to Operate without a Long Term Strategy
  - Not Hired Financial Advisors to Help Create Shareholder Value

# Crown Crafts Situation Analysis

- Can this Board Objectively Consider All Alternatives When Their Positions are Enhanced by the Status Quo?
  - Other than Mr. Chestnut, No Director has Material Stock Holdings. This Creates Doubt that the Board is Aligned with Stockholder' Interests. With the Status Quo, They Continue to receive Substantial Director's Fees in Cash
  - A Substantial Number of Mr. Chestnut's Shares were earned, not purchased. This Creates the Same Doubt as to His Approach as Compared to the Shareholders' Perspective. The Status Quo Allows Him to Accumulate More Shares and Earn Salary and Bonuses.
  - Steve Fox Continues to Earn Legal Fees

# Wynnefield's Action Plan

- Wynnefield Wants to Ensure
  - Development and Implementation of Corporate Governance Best Practices, including Elimination of the Staggered Board
  - Complete and Correct Information is Available to All Shareholders
  - The Shareholders' Perspective is Prominent in the Company's Long Term Planning
  - That by Working in Cooperation with the Other Board Members, the Company's Long Term Value (Which the Market is not Yielding) is Realized by Its Owners

# Wynnefield's Action Plan

- Wynnefield Does Not Want to
  - Sell the Company, unless This is the Best Alternative after an Complete Analysis is Performed
  - Control the Board of Directors
  - Undermine the Board or the CEO

# The Company's Response

- Rather than Addressing the Strategic and Governance Shortcomings that have Stalled the Company, Their Responses to Wynnefield's Questions were:
  - Obus is Subject to an SEC lawsuit
  - Wynnefield has a Short-Sighted, Self-Serving Agenda
  - Wasserman Takes His Direction From Wynnefield and Obus
  - Belatedly adopting some of the measures that Wynnefield has long advocated



# Wynnefield's Action Plan

To Unlock Value For Shareholders We Will:

- Address Poor Corporate Governance Practices
- Retain Financial Advisor To Help Identify / Analyze Strategic Options
- Develop Strategic Plan for CRWS
- Ensure Effective Execution of Plan by Management

# Wynnefield's Action Plan

- In Order to Achieve Our Goals, Wynnefield has nominated 2 Candidates for Election to the Board
  - Nelson Obus
  - Frederick Wasserman
- Wynnefield also Supports the Re-Election of Mr. Chestnut to the Board

# Summary

- As CRWS' Largest Shareholder, Our Interests are Directly Aligned with All Shareholders. We only Make Money When They Do.
- Wynnefield Believes Crown Crafts is at a Crossroads, facing a Challenging Environment with Less Resources than its Competitors
- Crown Crafts Arrives at this Crossroads with Declining Revenues and a Depressed Stock Valuation.
- The Board as Currently Comprised Has Failed the Company and its Shareholders by Allowing Poor Corporate Governance Practices, Not Having a Properly Researched and Implemented Capital Allocation Plan or a Management Succession Plan in Place

# Summary

- It is Imperative that the Company Develop and Implement a Long Term Plan to Unlock Shareholder Value, with All Options Considered
- The Board as Currently Comprised Does Not Include a Director who Shares the Stockholders' Perspective as to the Long Term Future of the Company
- Wynnefield is a Long-time and By Far Largest Stockholder in the Company, Owning More than 14% of the Shares and has a History of Working with Boards of Other Companies to Increase Stockholder Value
- Wynnefield Believes that Obus and Wasserman have the Skills, Experience and Perspective to Significantly Increase the Company's Value.