FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

For the quarterly period ended December 26, 2004

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

For the transition period from_____to_____

Commission File No. 1-7604

CROWN CRAFTS, INC.

(Exact name of registrant as specified in its charter)

Delaware	58-0678148
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

916 South Burnside Avenue, Gonzales, Louisiana 70737

(Address of principal executive offices)

(225) 647-9100

(Registrant's telephone number, including area code)

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 whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The number of shares of common stock, $0.01 par value, of the Registrant outstanding as of December 26, 2004 was 9,504,937.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 26, 2004 and March 28, 2004
(UNAUDITED)
(dollar amounts in thousands, except share and per share amounts)

	December 26, 2004	March 28, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66	$ 7
Accounts receivable, net of allowances of $4,335 at December 26, 2004 and $2,058 at March 28, 2004		
Due from factor	10,746	16,259
Other	1,234	962
Inventories, net	18,240	14,394
Prepaid expense	2,160	1,622
Other current assets	50	94
Total current assets	32,496	33,338
Property, plant and equipment — at cost:		
Land, buildings and improvements	1,803	1,803
Machinery and equipment	2,888	2,802
Furniture and fixtures	672	664
	5,363	5,269
Less accumulated depreciation	3,765	3,435
Property, plant and equipment — net	1,598	1,834
Other assets:		
Goodwill, net	22,974	22,974
Other	214	241
Total other assets	23,188	23,215
Total Assets	$ 57,282	$ 58,387
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,201	$ 5,117
Accrued wages and benefits	742	1,408
Accrued royalties	1,335	1,274
Other accrued liabilities	514	688
Current maturities of long-term debt	4,184	3,016
Total current liabilities	11,976	11,503
Non-current liabilities:		
Long-term debt	25,211	28,447
Total non-current liabilities	25,211	28,447
Commitments and contingencies	—	—
Shareholders' equity:		
Common stock — par value $0.01 per share, 74,000,000 shares authorized, 9,505,000 shares outstanding	95	95
Additional paid-in capital	38,244	38,244
Accumulated deficit	(18,244)	(19,902)
Total shareholders' equity	20,095	18,437
Total Liabilities and Shareholders' Equity	$ 57,282	$ 58,387

See notes to unaudited consolidated financial statements.

Crown Crafts, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Three and Nine-Month Periods Ended December 26, 2004 and December 28, 2003
(UNAUDITED)
(amounts in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	December 26, 2004	December 28, 2003	December 26, 2004	December 28, 2003
Net sales	$ 20,664	$ 20,717	$ 60,597	$ 61,183
Cost of products sold	16,262	16,228	48,083	47,661
Gross profit	4,402	4,489	12,514	13,522
Marketing and administrative expenses	2,706	2,882	8,089	8,868
Income from operations	1,696	1,607	4,425	4,654
Other income (expense):				
Interest expense	(932)	(986)	(2,814)	(3,049)
Other — net	83	5	88	—
Income before income taxes	847	626	1,699	1,605
Income tax expense (benefit)	(71)	(93)	41	75
Net income	918	719	1,658	1,530
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	—	19	—	25
Comprehensive income	$ 918	$ 738	$ 1,658	$ 1,555
Basic income per share	$ 0.10	$ 0.08	$ 0.17	$ 0.16
Diluted income per share	$ 0.04	$ 0.03	$ 0.08	$ 0.07
Weighted average shares outstanding — basic	9,505	9,505	9,505	9,479
Weighted average shares outstanding — diluted	21,154	22,182	21,935	22,443

See notes to unaudited consolidated financial statements.

Crown Crafts, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine-Month Periods Ended December 26, 2004 and December 28, 2003
(UNAUDITED)
(amounts in thousands)

	December 26, 2004	December 28, 2003
Operating activities:		
Net income	$ 1,658	$ 1,530
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	354	398
(Gain) on sale of property, plant, and equipment	(2)	(3)
Discount accretion	503	447
Changes in assets and liabilities		
Accounts receivable	5,241	5,452
Inventories, net	(3,846)	(406)
Other current assets	(494)	(138)
Other assets	27	(72)
Accounts payable	84	(1,119)
Accrued liabilities	(511)	(701)
Net cash provided by operating activities	3,014	5,388
Investing activities:		
Capital expenditures	(122)	(319)
Proceeds from disposition of assets	6	282
Other	—	6
Net cash (used in) investing activities	(116)	(31)
Financing activities:		
Payment of long-term borrowing	(23,471)	(30,793)
Long-term borrowing	20,632	26,483
Issuance of common stock	—	61
Net cash (used in) financing activities	(2,839)	(4,249)
Net increase in cash and cash equivalents	59	1,108
Cash and cash equivalents at beginning of period	7	194
Cash and cash equivalents at end of period	$ 66	$ 1,302
Supplemental cash flow information:		
Income taxes paid	$ 16	$ 266
Interest paid	2,241	2,586
Accrued interest converted to long-term debt	268	268

See notes to unaudited consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AT AND FOR THE THREE AND NINE-MONTH PERIODS ENDED DECEMBER 26, 2004 AND DECEMBER 28, 2003

1. *Basis of Presentation:* The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such interim consolidated financial statements contain all adjustments necessary to present fairly the financial position of Crown Crafts, Inc. (the "Company") as of December 26, 2004 and the results of its operations and cash flows for the periods presented. Such adjustments include normal recurring accruals. Operating results for the three and nine-month periods ended December 26, 2004 are not necessarily indicative of the results that may be expected for the year ending April 3, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in the annual report on Form 10-K for the year ended March 28, 2004 of the Company.

   Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

   Goodwill, net: In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, *Business Combinations*, and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the use of the pooling-of-interests method. The application of SFAS 141 did not affect any of the Company's previously reported amounts included in goodwill or other intangible assets. SFAS 142 requires that the amortization of goodwill cease prospectively upon adoption and that instead the carrying value of goodwill be evaluated using an impairment approach. Identifiable intangible assets continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. SFAS 142 was effective for fiscal years beginning after December 15, 2001, and was implemented by the Company on April 1, 2002. Beginning in fiscal 2003, the Company discontinued amortizing goodwill but continues to amortize other long-lived intangible assets. The Company performed fair value based impairment tests on its goodwill in accordance with SFAS 142 and determined that the fair value exceeded the recorded value at March 31, 2003 and March 29, 2004.

   Provision for Income Taxes: Since the Company has federal income tax net operating loss carryforwards the future benefits of which are largely offset by a valuation allowance, provisions for income taxes relate primarily to state and local income taxes.

   Allowances Against Accounts Receivable: The Company's allowances against accounts receivable are primarily contractually agreed upon deductions for items such as advertising and warehouse allowances and volume rebates. These deductions are recorded throughout the year commensurate with sales activity. Historically, funding occurs in the fourth quarter of the fiscal year causing the balance to be highest in the third quarter.

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

   In December 2004, the FASB issued Statement 123R, *Share-Based Payment, an Amendment of FASB Statements No. 123 and 95* (SFAS 123R), which will require all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value and will be effective for public companies for interim or annual periods beginning after June 15, 2005. This Statement will eliminate the ability to account for stock-based compensation transactions using APB 25 and, generally, will require instead that such transactions be accounted for using a fair-value based method. The Company will be required to begin expensing stock options in the second quarter of fiscal year 2006.

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. Had compensation costs for the Company's stock option plans been determined based on the fair value at the grant date, consistent with the method under SFAS 123, the Company's net earnings and earnings per share would have been as indicated below:

	Three months ended		Nine months ended	
	December 26, 2004	December 28, 2003	December 26, 2004	December 28, 2003
Net income, as reported	$ 918	$ 719	$ 1,658	$ 1,530
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(5)	(8)	(23)	(21)
Pro forma net income	$ 913	$ 711	$ 1,635	$ 1,509
Income per share:				
Basic — as reported	$ 0.10	$ 0.08	$ 0.17	$ 0.16
Basic — pro forma	$ 0.10	$ 0.07	$ 0.17	$ 0.16
Diluted — as reported	$ 0.04	$ 0.03	$ 0.08	$ 0.07
Diluted — pro forma	$ 0.04	$ 0.03	$ 0.07	$ 0.07

2. *Segment and Related Information:* The Company operates primarily in one principal segment, infant and juvenile products. These products consist of infant bedding, bibs, soft goods and juvenile products (primarily Pillow Buddies®).

3. *Inventory:* Major classes of inventory were as follows (in thousands):

	December 26, 2004	March 28, 2004
Raw Materials	$ 727	$ 1,116
Work in Process	168	1,028
Finished Goods	17,345	12,250
	$ 18,240	$ 14,394

Inventory is net of reserves for inventories classified as irregular or discontinued of $0.7 million and $1.0 million at December 26, 2004 and March 28, 2004, respectively.

4. *Financing Arrangements*

Factoring Agreement: The Company assigns the majority of its trade accounts receivable to a commercial factor. Under the terms of the factoring agreement, the factor remits payments to the Company on the average due date of each group of invoices assigned. The factor bears credit losses with respect to assigned accounts receivable that are within approved credit limits. The Company bears losses resulting from returns, allowances, claims and discounts.

Notes Payable and Other Credit Facilities: At December 26, 2004 and March 28, 2004, long-term debt consisted of:

	December 26, 2004	March 28, 2004
Promissory notes	$ 21,541	$ 24,054
Floating rate revolving credit facilities	1,167	1,495
Non-interest bearing notes	8,810	8,541
Original issue discount	(2,123)	(2,627)
	29,395	31,463
Less current maturities	4,184	3,016
	$ 25,211	$ 28,447

At December 26, 2004, the Company's credit facilities included the following:

Revolving Credit of up to $19 million including a $3 million sub-limit for letters of credit. The interest rate is prime plus 1.00% (6.25% at December 26, 2004) for base rate borrowings and LIBOR plus 2.75% (5.17% at December 26, 2004) for Euro-dollar borrowings. The maturity date is June 30, 2005. The facility is secured by a first lien on all assets. The balance at December 26, 2004 was $1.2 million. The Company had $12.1 million available at December 26, 2004. As of December 26, 2004, letters of credit of $1.325 million were outstanding against the $3 million sub-limit for letters of credit associated with the revolving credit facility.

Senior Notes of $5.5 million with a fixed interest rate of 10% plus additional interest of 3% contingent upon cash flow availability. The maturity date is June 30, 2006 and the notes are secured by a first lien on all assets. Minimum principal payments of $500,000 are due at the end of each calendar quarter. In the event that required debt service exceeds 85% of free cash flow (EBITDA (as hereinafter defined) less capital expenditures and cash taxes paid), the excess of contingent interest and principal amortization over 85% will be deferred until maturity of the Senior Notes in June 2006. Contingent interest plus additional principal payments will be due annually up to 85% of free cash flow. On each of September 30, 2003 and September 30, 2004, the Company made payments to the lenders of $1.3 million related to excess cash flow.

Senior Subordinated Notes of $16 million with a fixed interest rate of 10% plus an additional 1.65% payable by delivery of promissory notes due July 23, 2007 (PIK Notes). The maturity date is July 23, 2007 and the notes are secured by a second lien on all assets. In addition to principal and interest, a payment of $8 million is due on the earliest of (i) maturity of the notes, (ii) prepayment of the notes, or (iii) sale of the Company. The original issue discount of $4.1 million on this non-interest bearing note at a market interest rate of 12% is being amortized over the life of the notes. The remaining balance of $2.1 million is included in the Consolidated Balance Sheet as of December 26, 2004.

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

The Company also has an equipment lease which expires in May 2007. The balance outstanding was $41,000 as of December 26, 2004.

Minimum annual maturities are as follows: (in thousands)

Fiscal	Revolver	Senior Notes	Sub Notes	PIK Notes	Other	Total
2005	$ —	$ 1,000	$ —	$ —	$ 3	$ 1,003
2006	1,167	2,000	—	—	17	3,184
2007	—	2,500	—	—	19	2,519
2008	—	—	24,000 *	810	2	24,812
Total	$ 1,167	$ 5,500	$ 24,000	$ 810	$ 41	$ 31,518

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

As part of its refinancing in July 2001, the Company issued to its lenders warrants for non-voting common stock that are convertible into common stock equivalent to 65% of the shares of the Company on a fully diluted basis at a price of 11.3 cents per share. The warrants are non-callable and expire six years from their date of issuance. The value of the warrants of $2.4 million using the Black-Scholes option pricing model was credited to additional paid-in capital in the second quarter of fiscal 2002.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

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

RESULTS OF OPERATIONS

THREE-MONTH PERIOD ENDED DECEMBER 26, 2004 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 28, 2003

Total net sales of $20.7 million for the third quarter of fiscal year 2005 were stable as compared to $20.7 million for the third quarter of fiscal year 2004. Increased bib sales were partially offset by decreased bath sales for a net increase of $248,000. This increase in bib sales was further offset by decreases in sales of bedding and luxury throws and blankets of $235,000 and $66,000, respectively. The increase in bib sales is primarily due to sales of a new license and increased modular replenishment, whereas the decrease in bath sales is due to the loss of a bath program at a major customer. The transition of the Company's Classic Pooh license to direct-to-retail has had a deflationary effect on bedding sales. Although replacement programs and the direct-to-retail program were awarded to the Company, the Company's average selling price per unit was lower in fiscal year 2005 than in the prior year because of market changes in anticipation of the removal of quotas from several of the Company's bedding products, which was effective in January 2005. Sales of high-end luxury throws continue to be negatively impacted by a slow economy.

During the third quarter of fiscal year 2005, cost of sales were 78.7% of net sales as compared to 78.3% for the same period in fiscal year 2004. The slightly lower gross margin is due to the decrease in the average selling price per unit as previously discussed above.

Marketing and administrative expenses decreased by $176,000, or 6.1%, in the third quarter of fiscal year 2005 compared to the same quarter in the prior year and were 13.1% of net sales for such quarter compared to 13.9% of net sales for the corresponding quarter of the prior year. These expenses were greater in the prior year primarily because of legal fees associated with the reincorporation of the Company in Delaware, which was completed in fiscal year 2004.

Interest expense for the third quarter of fiscal year 2005 decreased by $54,000 compared to the third quarter of fiscal year 2004 because of the Company's lower average debt balance. Total debt was $29.4 million at December 26, 2004 compared to $30.3 million at December 28, 2003. Included in the balance in the current fiscal year was revolving credit of $1.2 million, whereas there was no revolving credit balance outstanding at December 28, 2003.

Income tax benefit for the quarter ended December 26, 2004 includes a credit for state and local income taxes of $71,000. Income tax benefit for the quarter ended December 28, 2003 included a credit of $130,000 for a revision of federal alternative minimum taxes and state and local income taxes of $37,000. The Company has net operating loss carryforwards of $13.5 million that begin to expire in 2021.

NINE-MONTH PERIOD ENDED DECEMBER 26, 2004 COMPARED TO THE NINE-MONTH PERIOD ENDED DECEMBER 28, 2003

Total net sales for the first nine months of fiscal year 2005 decreased by $0.6 million, or 1.0%, to $60.6 million from $61.2 million for the same period of fiscal year 2004 as a result of decreases in bib and bath sales of $1.2 million and luxury throws and blankets of $192,000, offset in part by an increase in bedding sales of $853,000. The decrease in bib and bath sales is primarily due to the loss of a bath program at a major customer. The increase in bedding sales resulted from additional and new modular placement shipments, which were partially offset by the transition of the Company's Classic Pooh license to direct-to-retail.

During the first nine months of fiscal year 2005, cost of sales increased to 79.3% of net sales from 77.9% for the same period in fiscal year 2004 primarily as a result of a shift from sales of higher margin blankets and NoJo and Classic Pooh brands to sales of a greater volume of lower margin merchandise. The lower margins are a direct result of pricing pressures from customers coupled with demand for enhanced products and market reaction to the removal of quotas from certain products effective in January 2005.

Marketing and administrative expenses decreased by $779,000, or 8.8%, for the first nine months of fiscal year 2005 compared to the same period in the prior year and were 13.3% of net sales for such period compared to 14.5% of net sales for the corresponding period of the prior year. These expenses were greater in the prior year primarily because of legal fees associated with the reincorporation of the Company in Delaware and costs associated with the closing of the Company's Mexican production facility, both of which were completed in fiscal year 2004.

Interest expense for the first nine months of fiscal year 2005 decreased by $235,000 compared to the first nine months of fiscal year 2004 because of the Company's lower average debt balance. Total debt was $29.4 million at December 26, 2004 compared to $30.3 million at December 28, 2003. Included in the balance in the current fiscal year was revolving credit of $1.2 million, whereas there was no revolving credit balance outstanding at December 28, 2003.

Income tax expense for the nine months ended December 26, 2004 includes an expense for state and local income taxes of $41,000. Income tax expense for the nine months ended December 28, 2003 included a benefit for revision of federal alternative minimum taxes of $99,000 and an expense for state and local income taxes of $174,000. The Company has net operating loss carryforwards of $13.5 million that begin to expire in 2021.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $3.0 million for the first nine months of fiscal year 2005 compared to net cash provided by operating activities of $5.4 million for the first nine months of fiscal year 2004. The decrease in cash provided by operating activities was primarily due to changes in inventory and accounts payable balances. Net cash used in investing activities was $116,000 in the first nine months of fiscal year 2005 and $31,000 in the prior year period. Net cash used in financing activities was $2.8 million compared to net cash used in financing activities of $4.2 million in the prior year period. The decrease in cash used in financing activities was due to a lower net payment of long-term debt in the current fiscal year as compared to the prior fiscal year.

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

To reduce its exposure to credit losses and to enhance its cash flow, the Company assigns the majority of its trade accounts receivable to a commercial factor. The Company’s factor establishes customer credit lines and accounts for and collects receivable balances. Under the terms of the factoring agreement, which expires in July, 2005, the factor remits payments to the Company on the average due date of each group of invoices assigned. If a customer fails to pay the factor on the due date, the Company is charged interest at prime minus 0.5% (4.50% at December 26, 2004) until payment is received. The factor bears credit losses with respect to assigned accounts receivable that are within approved credit limits. The Company bears losses resulting from returns, allowances, claims and discounts. The Company’s factor at any time may terminate or limit its approval of shipments to a particular customer. If such a termination occurs, the Company may either assume the credit risks for shipments after the date of such termination or cease shipments to such customer.

FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon management’s current expectations, projections, estimates and assumptions. Words such as “expects,” “believes,” “anticipates” and variations of such words and similar expressions identify such forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause future results to differ materially from those suggested by the forward-looking statements. These risks include, among others, general economic conditions, changing competition, the level and pricing of future orders from the Company’s customers, the Company’s dependence upon third-party suppliers, including some located in foreign countries with unstable political situations and unstable foreign currency exchanges, the Company’s ability to successfully implement new information technologies and the Company’s dependence upon licenses from third parties.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on debt, changes in commodity prices, changes in international trade regulations, the concentration of the Company’s customers and the Company’s reliance upon licenses. The Company’s exposure to interest rate risk relates to the Company’s floating rate debt, of which there was a balance outstanding of $1.2 million at December 26, 2004 and a balance outstanding of $1.5 million at March 28, 2004. Each 1.0 percentage point increase in interest rates would impact pretax earnings by $12,000 at the debt level of December 26, 2004. The Company’s exposure to commodity price risk primarily relates to changes in the price of cotton and oil, which are the principal raw materials used in a substantial number of the Company’s products. Also, changes in import quantity allotments can materially impact the availability of the Company’s products and the prices at which those products can be purchased by the Company for resale. Additionally, the Company’s top three customers represent 76% of gross sales, and 42% of the Company’s gross sales is of licensed products. The Company could be materially impacted by the loss of one or more of these customers or licenses.

ITEM 4 – CONTROLS AND PROCEDURES

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

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits

Exhibits	
10.1	Seventh Amendment to Credit Agreement dated as of February 4, 2005 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Agent, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.) and The Prudential Insurance Company of America, as Lenders
10.2	Fifth Amendment to Subordinated Note and Warrant Purchase Agreement dated as of February 4, 2005 by and among the Company and Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.), The Prudential Insurance Company of America, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Lenders
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer
32.1	Section 1350 Certification by the Company's Chief Executive Officer
32.2	Section 1350 Certification by the Company's Chief Financial Officer

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SIGNATURES

Pursuant to the requirements 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.

Date: February 9, 2005

/s/ Amy Vidrine Samson
AMY VIDRINE SAMSON
Chief Financial Officer
(duly authorized signatory and
Principal Financial and Accounting
Officer)

Index to Exhibits

Exhibit Number	Description
10.1	Seventh Amendment to Credit Agreement dated as of February 4, 2005 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc., Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Agent, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.) and The Prudential Insurance Company of America, as Lenders
10.2	Fifth Amendment to Subordinated Note and Warrant Purchase Agreement dated as of February 4, 2005 by and among the Company and Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.), The Prudential Insurance Company of America, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Lenders
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company’s Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company’s Chief Financial Officer
32.1	Section 1350 Certification by the Company’s Chief Executive Officer
32.2	Section 1350 Certification by the Company’s Chief Financial Officer

Exhibit 10.1

SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this “Seventh Amendment”) is dated as of the 4th day of February, 2005 among CROWN CRAFTS, INC., CHURCHILL WEAVERS, INC., HAMCO, INC. and CROWN CRAFTS INFANT PRODUCTS, INC. (collectively, the “Borrowers”), WACHOVIA BANK, NATIONAL ASSOCIATION (successor by merger to Wachovia Bank, N.A.), as Agent (the “Agent”) and WACHOVIA BANK, NATIONAL ASSOCIATION (successor by merger to Wachovia Bank, N.A.), BANC OF AMERICA STRATEGIC SOLUTIONS, INC. (assignee of Bank of America, N.A.) and THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, as Lenders (collectively, the “Lenders”);

W I T N E S S E T H:

WHEREAS, the Borrowers, the Agent and the Lenders executed and delivered that certain Credit Agreement, dated as of July 23, 2001, as amended by First Amendment to Credit Agreement dated as of September 28, 2001, Second Amendment to Credit Agreement dated as of November 25, 2002, Third Amendment to Credit Agreement dated as of February 10, 2003, Global Amendment Agreement dated as of April 29, 2003, Fifth Amendment to Credit Agreement dated as of August 1, 2003 and Sixth Amendment to Credit Agreement dated as of December 16, 2003 (as so amended, the “Credit Agreement”);

WHEREAS, the Borrowers, the Agent and the Lenders have agreed to certain amendments to the Credit Agreement to change certain financial covenants contained therein, subject to the terms and conditions hereof;

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged by the parties hereto, the Borrowers, the Agent and the Lenders hereby covenant and agree as follows:

1. Definitions. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement. Each reference to “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference and each reference to “this Agreement” and each other similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

2. Amendment to SECTION 5.20(a). SECTION 5.20(a) hereby is deleted in its entirety, and the following is substituted therefor:

(a) Minimum EBITDA. Consolidated EBITDA shall not be less than, for each Fiscal Quarter set forth below and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

Fiscal Quarter Ending	**Minimum EBITDA**
December 26, 2004	$7,000,000
April 3, 2005 through January 1, 2006	$5,500,000
April 2, 2006	$5,800,000
July 2, 2006 and each Fiscal Quarter thereafter	$6,400,000

3. Amendment to SECTION 5.20(b). SECTION 5.20(b) hereby is deleted in its entirety, and the following is substituted therefor:

(b) Debt/EBITDA Ratio. The Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the ratio set forth below corresponding to such Fiscal Quarter :

Fiscal Quarter Ending	**Maximum Debt/EBITDA Ratio**
December 26, 2004	4.00 to 1.00
April 3, 2005 through October 2, 2005	5.00 to 1.0
January 1, 2006 through July 2, 2006	4.75 to 1.00
October 1, 2006 and December 31, 2006	4.50 to 1.00
April 1, 2007 and each Fiscal Quarter thereafter	4.00 to 1.00

4. Amendment to SECTION 5.20(d). SECTION 5.20(d) hereby is deleted in its entirety, and the following is substituted therefor:

(d) EBITDA/Cash Interest Ratio. The EBITDA/Cash Interest Ratio will not be less than, at the end of each Fiscal Quarter set forth below, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

Fiscal Quarter Ending	**Minimum EBITDA/Cash Interest Ratio**
December 26, 2004	2.50 to 1.0
April 3, 2005 and July 3, 2005	2.00 to 1.0
October 2, 2005 and January 1, 2006	2.25 to 1.0
April 2, 2006 and each Fiscal Quarter thereafter	2.75 to 1.00

5. Amendment to Exhibit G (Compliance Certificate). Exhibit G to the Credit Agreement hereby is deleted in its entirety, and Exhibit G attached hereto is substituted therefor.

6. Restatement of Representations and Warranties. The Borrowers hereby restate and renew each and every representation and warranty heretofore made by them in the Credit Agreement and the other Loan Documents as fully as if made on the date hereof (except where reference is expressly made to a specific date, in which case such representation or warranty is true as of such earlier date) and with specific reference to this Seventh Amendment and all other loan documents executed and/or delivered in connection herewith.

7. Effect of Amendment. Except as set forth expressly hereinabove, all terms of the Credit Agreement and the other Loan Documents shall be and remain in full force and effect, and shall constitute the legal, valid, binding and enforceable obligations of the Borrowers. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein.

8. Ratification. The Borrowers hereby restate, ratify and reaffirm each and every term, covenant and condition set forth in the Credit Agreement and the other Loan Documents effective as of the date hereof.

9. Counterparts. This Seventh Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered (which may be by facsimile) shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

10. Section References. Section titles and references used in this Seventh Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.

11. No Default. To induce the Agent and the Lenders to enter into this Seventh Amendment and to continue to make advances pursuant to the Credit Agreement, the Borrowers hereby acknowledge and agree that, as of the date hereof, and after giving effect to the terms

hereof, there exists (i) no Default or Event of Default and (ii) no right of offset, defense, counterclaim, claim or objection in favor of the Borrowers arising out of or with respect to any of the Loans or other obligations of the Borrowers owed to the Lenders under the Credit Agreement.

12. Further Assurances. The Borrowers agree to take such further actions as the Agent shall reasonably request in connection herewith to evidence the amendments herein contained.

13. Governing Law. This Seventh Amendment shall be governed by and construed and interpreted in accordance with, the laws of the State of Georgia.

14. Conditions Precedent. This Seventh Amendment shall become effective only upon (i) execution and delivery (including by facsimile) of this Seventh Amendment by each of the parties hereto and (ii) payment to the Agent, for the ratable benefit of the Lenders, of an amendment fee in the amount of $25,000.

[SIGNATURES COMMENCE ON NEXT PAGE.]

IN WITNESS WHEREOF, the Borrowers, the Agent and each of the Lenders has caused this Seventh Amendment to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

CROWN CRAFTS, INC., (SEAL)

By: /s/ E. Randall Chestnut
Name: E. Randall Chestnut
Title: President and CEO

CHURCHILL WEAVERS, INC.,
HAMCO, INC.
CROWN CRAFTS INFANT
PRODUCTS, INC. (SEAL)

By: /s/ Amy Vidrine Samson
Name: Amy Vidrine Samson
Title: Vice President

WACHOVIA BANK, NATIONAL
ASSOCIATION (successor by merger
to Wachovia Bank, N.A.), (SEAL)
as Agent and as a Lender

By: /s/ Monica H. Cole
Name: Monica H. Cole
Title: Director

BANC OF AMERICA STRATEGIC SOLUTIONS, INC. (assignee of Bank of America, N.A.), (SEAL)
as a Lender

By: /s/ Kevin Behan
Name: Kevin Behan
Title: Senior Vice President

THE PRUDENTIAL INSURANCE (SEAL)
COMPANY OF AMERICA, as a Lender

By: /s/ Billy Greer
Name: Billy B. Greer
Title: Senior Vice President

EXHIBIT G

COMPLIANCE CERTIFICATE

Reference is made to the Credit Agreement dated as of July 23, 2001, as amended by First Amendment to Credit Agreement dated as of September 28, 2001, Second Amendment to Credit Agreement dated as of November 25, 2002, Third Amendment to Credit Agreement dated as of February 10, 2003, Global Amendment Agreement dated as of April 29, 2003, Fifth Amendment to Credit Agreement dated as of August 1, 2003, Sixth Amendment to Credit Agreement dated as of December 16, 2003 and Seventh Amendment to Credit Agreement dated as of February 4, 2005 (as so amended and as thereafter modified and supplemented and in effect from time to time, the “Credit Agreement”) by and among Crown Crafts, Inc., Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc. (collectively or individually, as the context shall require, the “Borrowers”), the Lenders from time to time parties thereto, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as Agent. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to SECTION 5.01(c) of the Credit Agreement, __________________, the duly authorized __________________of the Borrowers, hereby certifies to the Agent and the Lenders that, as of the date hereof, (i) the information contained in the Compliance Certificate attached hereto is true, accurate and complete in all material respects and (ii) no Default is in existence. Fiscal periods that have passed and previously have been tested prior to the Seventh Amendment to Credit Agreement referred to above have been omitted from the information attached hereto.

CROWN CRAFTS, INC.	CHURCHILL WEAVERS, INC. HAMCO, INC. CROWN CRAFTS INFANT PRODUCTS, INC.
By: ____________________ (SEAL) Name: Title:	By: ____________________ (SEAL) Name: Title:

CROWN CRAFTS, INC.
COMPLIANCE CHECKLIST

1. Minimum EBITDA (Section 5.20(a))

(a) Minimum EBITDA. Consolidated EBITDA shall not be less than, for each Fiscal Quarter set forth below and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

Fiscal Quarter Ending	Minimum EBITDA
December 26, 2004	$7,000,000
April 3, 2005 through January 1, 2006	$5,500,000
April 2, 2006	$5,800,000
July 2, 2006 and each Fiscal Quarter thereafter	$6,400,000

(a) Consolidated EBITDA Schedule 1 $__________

Minimum Consolidated EBITDA [$7,000,000]
[$5,500,000]
[$5,800,000]
[$6,400,000]

2. Debt/EBITDA Ratio (Section 5.20(b))

(b) Debt/EBITDA Ratio. The Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the ratio set forth below corresponding to such Fiscal Quarter :

Fiscal Quarter Ending	Maximum Debt/EBITDA Ratio
December 26, 2004	4.00 to 1.00
April 3, 2005 through October 2, 2005	5.00 to 1.0
January 1, 2006 through July 2, 2006	4.75 to 1.00
October 1, 2006 and December 31, 2006	4.50 to 1.00
April 1, 2007 and each Fiscal Quarter thereafter	4.00 to 1.00

(a)	Consolidated Debt	Schedule 2	$__________
(b)	Consolidated EBITDA	Schedule 1	$__________
(c)	actual ratio of (a) to (b)		___to 1.00
		Limitation:	(c) may not exceed [4.00 to 1.0] [5.00 to 1.0] [4.75 to 1.0] [4.50 to 1.0] [4.00 to 1.0]

3. Senior Debt/EBITDA Ratio (Section 5.20(c))

The Senior Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Senior Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the ratio set forth below corresponding to such Fiscal Quarter:

Fiscal Quarter Ending	Maximum Senior Debt/EBITDA Ratio
December 26, 2004	1.75 to 1.0
April 3, 2005 and thereafter	1.50 to 1.00

(a)	Consolidated Senior Debt	Schedule 2	$__________
(b)	Consolidated EBITDA	Schedule 1	$__________

(c)	actual ratio of (a) to (b)	___to 1.00
	Limitation:	(c) may not exceed [1.75 to 1.0] [1.50 to 1.0]

4. EBITDA/Cash Interest Ratio (Section 5.20(d))

The EBITDA/Cash Interest Ratio will not be less than, at the end of each Fiscal Quarter set forth below, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

Fiscal Quarter Ending	**Minimum EBITDA/Cash Interest Ratio**
December 26, 2004	2.50 to 1.0
April 3, 2005 and July 3, 2005	2.00 to 1.0
October 2, 2005 and January 1, 2006	2.25 to 1.0
April 2, 2006 and each Fiscal Quarter thereafter	2.75 to 1.00

(a)	Consolidated EBITDA	Schedule 1	$__________
(b)	Cash Interest	Schedule 3	$__________
(c)	actual ratio of (a) to (b)		___to 1.00
		Limitation:	(c) may not exceed [2.50 to 1.0] [2.00 to 1.0] [2.25 to 1.0] [2.75 to 1.0]

5. Minimum Stockholders' Equity (Section 5.20(e))

As of the end of each Fiscal Quarter, Stockholders' Equity will not be less than the sum of (i) Stockholders' Equity as of the Closing Date (after giving effect to the sale of its adult bedding line of business to its former management) plus (ii) 75% of the cumulative (since the Closing Date) Reported Net Income (excluding any Fiscal Quarter during which Reported Net Income is less than $0.00) of the Parent and the Subsidiaries.

(a)	Stockholders'Equity	$__________
(b)	Cumulative positive Reported Net Income since the Closing Date	$__________
(c)	75% of (b)	$__________

(d) sum of (c) and $__________[1] $__________

Limitation: (a) must not be less than (d)

6. Capital Expenditures (Section 5.20(f))

No Borrower shall, nor shall it permit any Subsidiary to, make any expenditures (including obligations incurred under any lease) in any Fiscal Year that are required to be capitalized under GAAP in the aggregate for any Borrower and the Subsidiaries, on a consolidated basis, exceeding $500,000.

(a) aggregate Capital Expenditures made to date in current Fiscal Year $__________

Limitation: (a) may not exceed $500,000

[1] Insert amount of Stockholders' Equity as of the Closing Date

7. Operating Leases (Section 5.20(g))

No Borrower shall, nor shall it permit any Subsidiary to, enter into or remain or become liable upon any lease (other than intercompany leases between the Borrower and its Subsidiaries) which would be characterized as an operating lease under GAAP if the aggregate amount of all consolidated rents paid by the Borrower and its Subsidiaries under all such leases would exceed $3,000,000 in the first Fiscal Year following the Closing Date, with such amount increasing each Fiscal Year thereafter by an additional 5% of the amount in effect at the end of the preceding Fiscal Year.

(a) aggregate amount of consolidated rents payable in current Fiscal Year $__________

Limitation: (a) may not exceed [$3,000,000][2]

---

[2] Increase after the first Fiscal Year by an additional 5% of the amount in effect at the end of the preceding Fiscal Year

Schedule 1

CONSOLIDATED EBITDA

(a) Consolidated Net Income for:

___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________

(b) depreciation and amortization expenses for:

___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________

(c) Consolidated Interest Expense for:

___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________

(d) income tax expense included in Consolidated Net Income for:

___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________
___quarter ___	$__________

Schedule 2

CONSOLIDATED DEBT AND CONSOLIDATED SENIOR DEBT

CONSOLIDATED DEBT[3]

(a)	obligations for borrowed money	$__________
(b)	payment obligations evidenced by bonds, debentures notes or other similar instruments	$__________
(c)	obligations to pay the deferred purchase price of property or services, except trade accounts payable and accrued expenses arising in the ordinary course of business	$__________
(d)	obligations as lessee under capital leases or leases for which the Borrowers Person retain tax ownership of the property subject to a lease	$__________
(e)	obligations to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance	$__________
(f)	Redeemable Preferred Stock	$__________
(g)	obligations to reimburse any bank or other Person in respect of amounts paid or undrawn amounts available to be paid under a letter of credit or similar instrument	$__________
(h)	Debt of others secured by a Lien on any asset of any Borrower, whether or not such Debt is assumed by such Borrower	$__________
(i)	obligations with respect to interest rate protection agreements, foreign currency exchange agreements or other hedging arrangements, other than commodity hedging agreements entered into as risk protection rather than as an investment (each valued as the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to in the applicable agreement, if any)	$__________

3 Exclude Contingent Interest and amounts payable pursuant to SECTION 2.06(a) of the Senior Subordinated Notes Purchase Agreement

(j)	Debt of others Guaranteed by any Borrower	$__________
(k)	CONSOLIDATED DEBT (sum of (a) through (i))	$__________
	CONSOLIDATED SENIOR DEBT	
(l)	Subordinated Debt	$__________
(m)	CONSOLIDATED SENIOR DEBT ((j) less (k))	$__________

Schedule 3

CASH INTEREST

(a)	interest on Revolving Loans	$__________
(b)	interest on Term Loans at Cash Contract Rate	$__________
(c)	interest on Senior Subordinated Debt	$__________
(d)	CASH INTEREST (sum of (a), plus (b), plus (c))	$__________

<u>Exhibit 10.2</u>

FIFTH AMENDMENT
OF
SUBORDINATED NOTE AND WARRANT PURCHASE AGREEMENT

This Fifth Amendment, dated effective as of February 4, 2005, by and among **CROWN CRAFTS, INC.** (the "***Company***"), and **BANC OF AMERICA STRATEGIC SOLUTIONS, INC. (assignee of Bank of America, N.A.), THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**, and **WACHOVIA BANK, NATIONAL ASSOCIATION (successor by merger to Wachovia Bank, N.A.)** (collectively, the "***Purchasers***").

WHEREAS, the parties hereto have executed and delivered that certain Subordinated Note and Warrant Purchase Agreement dated as of July 23, 2001, as amended by First Amendment of Subordinated Note and Warrant Purchase Agreement dated as of September 28, 2001, Second Amendment of Subordinated Note and Warrant Purchase Agreement dated as of February 10, 2003, Global Amendment Agreement dated as of April 29, 2003 and Fourth Amendment of Subordinated Note and Warrant Purchase Agreement dated as of August 1, 2003(as so amended, the "***Purchase Agreement***");

WHEREAS, the Company has requested a modification of, among other things, the financial covenants under the Purchase Agreement;

WHEREAS, the Purchasers are willing to enter into this Amendment subject to the satisfaction of conditions and terms set forth herein;

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Purchase Agreement; and

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. ***Amendments to Purchase Agreement.***

lA. ***Section 8.01(a) of the Purchase Agreement***. Section 8.01(a) of the Purchase Agreement is amended by deleting it in its entirety and substituting the following therefor:

(a) Minimum EBITDA . Consolidated EBITDA shall not be less than, at the end of each Fiscal Quarter, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:

Fiscal Quarter Ending	***Minimum EBITDA***
December 26, 2004	*$7,000,000*
April 3, 2005 through January 1, 2006	*$5,500,000*
April 2, 2006	*$5,800,000*
July 2, 2006 and each Fiscal Quarter thereafter	*$6,400,000*

lB. ***Section 8.01(b) of the Purchase Agreement.*** Section 8.01(b) of the Purchase Agreement is amended by deleting it in its entirety and substituting the following therefor:

(b) Debt/EBITDA Ratio. The Debt/EBITDA Ratio will not exceed, at the end of each Fiscal Quarter set forth below, calculated as to Debt as of such Fiscal Quarter and calculated as to Consolidated EBITDA for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the ratio set forth below corresponding to such Fiscal Quarter :

Fiscal Quarter Ending	***Maximum Debt/EBITDA Ratio***
December 26, 2004	*4.00 to 1.00*
April 3, 2005 through October 2, 2005	*5.00 to 1.0*
January 1, 2006 through July 2, 2006	*4.75 to 1.00*
October 1, 2006 and December 31, 2006	*4.50 to 1.00*
April 1, 2007 and each Fiscal Quarter thereafter	*4.00 to 1.00*

lC. ***Section 8.01(d) of the Purchase Agreement.*** Section 8.01(d) of the Purchase Agreement is amended by deleting it in its entirety and substituting the following therefor:

(d) ***EBITDA/Cash*** *Interest Ratio. The EBITDA/Cash Interest Ratio will not be less than, at the end of each Fiscal Quarter set forth below, for such Fiscal Quarter and the 3 immediately preceding Fiscal Quarters, the amount set forth below corresponding to such Fiscal Quarter:*

Fiscal Quarter Ending	**Minimum EBITDA/Cash Interest Ratio**
December 26, 2004	2.50 to 1.0
April 3, 2005 and July 3, 2005	2.00 to 1.0
October 2, 2005 and January 1, 2006	2.25 to 1.0
April 2, 2006 and each Fiscal Quarter thereafter	2.75 to 1.00

2. ***Conditions of Effectiveness.*** This Amendment shall be effective as of the date first set forth above (the "***Effective Date***"), upon the satisfaction of the following conditions:

(a) the Purchasers shall have received executed originals, satisfactory to the Required Holders in all respects, of this Amendment and the Seventh Amendment to the Credit Agreement, dated as of even date herewith, among the Company, Churchill Weavers, Inc., Hamco, Inc. and Crown Crafts Infant Products, Inc., as borrowers, Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), as agent, and Wachovia Bank, National Association (successor by merger to Wachovia Bank, N.A.), Banc of America Strategic Solutions, Inc. (assignee of Bank of America, N.A.) and The Prudential Insurance Company of America, as lenders, each agreement being dated the Effective Date, in form and substance satisfactory to the Purchasers.

(b) The Company shall have paid all costs and expenses (including attorney's fees and expenses) incurred by any Purchaser through the Effective Date, pursuant to statements submitted to the Company (which statements may include estimates of time and expenses to be incurred on and after the dates of posting of actual time and expenses set forth therein, which estimated amounts shall be subject to subsequent adjustment to reflect actual time and expenses subsequently posted).

(c) The representations and warranties contained herein shall be true on and as of the date hereof; there shall exist on the date hereof, after giving effect to this Amendment, no Event of Default or Default; there shall exist no material adverse change in the business, properties, prospects, operations or condition, financial or otherwise, of the Company or its Subsidiaries since March 28, 2004 other than as reported by the Company in its quarterly reports on Form 10-Q filed with the Securities and Exchange Commission for quarterly periods subsequent to March

28, 2004; and the Company shall have delivered to the Purchasers a certificate signed by a senior officer of the Company to such effect.

3. ***Representations, Warranties and Covenants.***

(a) The Company hereby restates and renews each of the representations and warranties made by it in the Purchase Agreement, as amended hereby, as though made on and as of the date hereof (except where reference is expressly made to a specific date, in which case such representation or warranty is true as of such earlier date), with each reference therein to "this Agreement", "hereof", "hereunder", "thereof", "thereunder" and words of like import being deemed to be a reference to the Purchase Agreement as amended hereby.

(b) The Company further represents and warrants as follows:

(i) The execution, delivery and performance by the Company of this Amendment are within its corporate powers, have been duly authorized by all necessary corporate action and do not contravene (A) its charter or by-laws, (B) law or (C) any legal or contractual restriction binding on or affecting the Company; and such execution, delivery and performance do not or will not result in or require the creation of any Lien upon or with respect to any of the properties of the Company or any of its Subsidiaries.

(ii) No governmental approval is required for the due execution, delivery and performance by the Company of this Amendment, except for such governmental approvals as have been duly obtained or made and which are in full force and effect on the date hereof and not subject to appeal.

(iii) Each of this Amendment and the Notes constitutes the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms.

(iv) There are no pending or threatened actions, suits or proceedings affecting the Company or any of its Subsidiaries or the properties of the Company or any of its Subsidiaries before any court, governmental agency or arbitrator, that may, if adversely determined, materially adversely effect the financial condition, properties, business, operations or prospects of the Company and it Subsidiaries, considered as a whole, or affect the legality, validity or enforceability of the Purchase Agreement, as amended by this Amendment.

4. ***Miscellaneous.***

4A. ***Reference to and Effect on the Purchase Agreement***. (a) Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Purchase Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Purchase Agreement, and each reference in any other document to "the Purchase Agreement", "thereunder", "thereof" or words of like import referring to the Purchase Agreement, shall mean and be a reference to the Purchase Agreement, as amended hereby.

(b) Except as specifically amended above, the Purchase Agreement, and all other related documents, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any holder of a Note under the Purchase Agreement or the Notes, nor constitute a waiver of any provision of any of the foregoing.

4B. ***Costs and Expenses.*** The Company agrees to pay on demand all costs and expenses incurred by the Purchasers or any other holder of a Note in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel. The Company further agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses of counsel), incurred by the Purchasers or any other any holder of a Note in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment, including, without limitation, counsel fees and expenses in connection with the enforcement of rights under this paragraph 4B.

4C. ***Execution in Counterparts.*** This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

4D. ***Governing Law.*** This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

4E. ***No Default or Claims.*** To induce the Purchasers to enter into this Amendment, the Company hereby acknowledges and agrees that, as of the date hereof, and after giving effect to the terms hereof, there exists (i) no Default or Event of Default, (ii) no right of offset, recoupment, defense, counterclaim, claim or objection in favor of the Company arising out of or with respect to any of the Notes or other obligations of the Company owed to any holder of a Note, and (iii) each Purchaser has acted in good faith and has conducted its relationships with the Company in a commercially reasonable manner in connection with the negotiations, execution and delivery of this Amendment and in all respects in connection with the Purchase Agreement, the Company hereby waiving and releasing any such claims to the contrary that may exist as of the date of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CROWN CRAFTS, INC.

By /s/ E. Randall Chestnut

Name: E. Randall Chestnut
Title: President & CEO

**BANC OF AMERICA STRATEGIC SOLUTIONS, INC.
(assignee of Bank Of America, N.A.)**

By /s/ Kevin Behan

Name: Kevin Behan
Title: Senior Vice President

**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**

By /s/ Billy Greer

Name: Billy B. Greer
Title: Senior Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION (successor by merger to Wachovia Bank, N.A.)

By /s/ Monica H. Cole

Name: Monica H. Cole
Title: Director

Exhibit 31.1

CERTIFICATION

I, E. Randall Chestnut, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended December 26, 2004 of Crown Crafts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2005

/s/ E. Randall Chestnut

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

Exhibit 31.2

CERTIFICATION

I, Amy Vidrine Samson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended December 26, 2004 of Crown Crafts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2005

/s/ Amy Vidrine Samson

Amy Vidrine Samson
Vice President & Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION

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

1. The Quarterly Report on Form 10-Q of the Company for the period ending December 26, 2004 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2005

/s/ E. Randall Chestnut

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

Exhibit 32.2

SECTION 1350 CERTIFICATION

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

1. The Quarterly Report on Form 10-Q of the Company for the period ending December 26, 2004 (the “Periodic Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2005

/s/ Amy Vidrine Samson

Amy Vidrine Samson, Chief Financial Officer