

CROWN CRAFTS INC  
Form PREC14A  
June 29, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

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 Pursuant to §240.14a-12

Crown Crafts, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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:

- o Fee paid previously with preliminary materials.
- o 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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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

**CROWN CRAFTS, INC.  
916 South Burnside Avenue  
Gonzales, Louisiana 70737  
(225) 647-9100**

July , 2007

Dear Crown Crafts Stockholder:

We cordially invite you to attend our 2007 annual meeting of stockholders to be held on Tuesday, August 14, 2007, at 10:00 a.m., central daylight time, at the Company's executive offices, located at 916 South Burnside Avenue, Third Floor, Gonzales, Louisiana. At the meeting, we will present a report on our operations, vote on the election of three Class I directors as described in the accompanying notice of annual meeting and proxy statement and discuss any other matters properly brought before the meeting.

Wynnefield Partners Small Cap Value, L.P., a stockholder of the Company, has advised the Company of its intention to nominate and solicit proxies for an opposition slate of two director nominees for election to our board of directors at the annual meeting. See Voting Information Proxies from Wynnefield and Possible Proxy Contest in the accompanying proxy statement.

**THE BOARD URGES STOCKHOLDERS TO VOTE FOR THE ELECTION OF THE BOARD'S NOMINEES NAMED IN THIS PROXY STATEMENT. INSTRUCTIONS FOR VOTING YOUR SHARES ARE PROVIDED IN THIS PROXY STATEMENT.**

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS NOT SUPPORT WYNNEFIELD'S NOMINEES SHOULD WYNNEFIELD PROCEED WITH ITS PLAN TO SOLICIT PROXIES.**

Your vote is very important, and we appreciate your cooperation in considering and acting on the matters presented.

Sincerely,

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

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

**CROWN CRAFTS, INC.  
916 South Burnside Avenue  
Gonzales, Louisiana 70737  
(225) 647-9100**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON AUGUST 14, 2007**

To the Stockholders of Crown Crafts, Inc.:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Crown Crafts, Inc. will be held at the Company's executive offices, located at 916 South Burnside Avenue, Third Floor, Gonzales, Louisiana, on August 14, 2007, at 10:00 a.m., central daylight time, for the following purposes:

- (i) to elect three members to the board of directors to hold office for a three-year term; and
- (ii) to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

These items of business are described in the attached proxy statement. The board of directors has fixed June 15, 2007 as the record date to determine the stockholders entitled to notice of and to vote at the annual meeting. Only those stockholders of record of Crown Crafts Series A common stock as of the close of business on that date will be entitled to vote at the annual meeting or at any adjournment or postponement thereof.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE URGE YOU TO VOTE AND SUBMIT THE PROXY PROVIDED WITH THIS PROXY STATEMENT BY INTERNET, TELEPHONE OR MAIL TO ENSURE THE PRESENCE OF A QUORUM. IF YOU LATER DESIRE TO REVOKE OR CHANGE YOUR PROXY FOR ANY REASON, YOU MAY DO SO AT ANY TIME BEFORE THE VOTING BY DELIVERING TO CROWN CRAFTS A WRITTEN NOTICE OF REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE OR BY ATTENDING THE ANNUAL MEETING AND VOTING IN PERSON. IF YOU HOLD YOUR SHARES THROUGH AN ACCOUNT WITH A BROKERAGE FIRM, BANK OR OTHER NOMINEE, PLEASE FOLLOW THE INSTRUCTIONS YOU RECEIVE FROM THEM TO VOTE YOUR SHARES.

WE ALSO URGE YOU NOT TO VOTE OR SUBMIT ANY PROXY SENT TO YOU BY WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P. OR ITS AFFILIATES. YOU CAN REVOKE ANY WYNNEFIELD PROXY YOU MAY HAVE PREVIOUSLY SUBMITTED BY VOTING AND SUBMITTING THE ENCLOSED PROXY.

By Order of the Board of Directors,

Olivia Elliott  
Secretary/Treasurer

Gonzales, Louisiana  
July , 2007

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

**CROWN CRAFTS, INC.  
916 South Burnside Avenue  
Gonzales, Louisiana 70737**

**PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON AUGUST 14, 2007**

This proxy statement and the accompanying form of proxy (which were first sent or given to stockholders on or about July , 2007) are furnished to stockholders of Crown Crafts in connection with the solicitation by and on behalf of the board of directors of the Company of proxies for use at the annual meeting of the Company s stockholders to be held at the Company s executive offices, located at 916 South Burnside Avenue, Third Floor, Gonzales, Louisiana, on August 14, 2007, at 10:00 a.m., central daylight time, and any adjournment or postponement thereof.

The annual meeting is being held for the following purposes:

- (i) to elect three members to the board of directors to hold office for a three-year term; and
- (ii) to transact any other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Wynnefield Partners Small Cap Value, L.P., a stockholder of the Company, has advised Crown Crafts of its intention to nominate and solicit proxies for an opposition slate of two director nominees for election to our board of directors at the annual meeting. See Voting Information - Possible Proxy Contest below.

**THE BOARD URGES STOCKHOLDERS TO VOTE FOR THE ELECTION OF THE BOARD S NOMINEES NAMED IN THIS PROXY STATEMENT.**

**THE BOARD RECOMMENDS THAT STOCKHOLDERS NOT SUPPORT WYNNEFIELD S NOMINEES SHOULD WYNNEFIELD PROCEED WITH ITS PLAN TO SOLICIT PROXIES.**

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**VOTING INFORMATION**

**Record Date**

Only holders of record of Crown Crafts Series A common stock at the close of business on the record date, June 15, 2007, are entitled to notice of and to vote at the annual meeting. As of the record date, there were 10,005,192 shares of Crown Crafts Series A common stock outstanding and entitled to vote at the annual meeting, held by approximately 640 holders of record. A list of the Company's stockholders will be available for review at the Company's executive offices during regular business hours for a period of ten days before the annual meeting. Each holder of Crown Crafts Series A common stock is entitled to one vote for each share of Crown Crafts Series A common stock he or she owned as of the record date.

**Quorum and Vote Required**

A quorum of stockholders is necessary to transact business at the annual meeting. The presence, in person or by proxy, of shares of Crown Crafts Series A common stock representing a majority of shares of Crown Crafts Series A common stock outstanding and entitled to vote on the record date is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes, discussed below, count as present for establishing a quorum.

Directors are elected by a plurality of the votes cast, which means the three nominees who receive the largest number of properly cast votes will be elected as directors of Crown Crafts. Cumulative voting is not permitted. If a quorum is not present at the annual meeting, then it is expected that the annual meeting will be adjourned or postponed to solicit additional proxies.

As of the record date, the Company's directors and executive officers as a group beneficially owned and were entitled to vote approximately 1,220,096 shares of the Company's Series A common stock, or approximately 12.2% of the outstanding shares of the Company's Series A common stock on that date. This amount excludes approximately 10,310 shares of the Company's Series A common stock held by members of the immediate families of certain officers and directors of Crown Crafts with respect to which such officers and directors disclaim beneficial ownership.

**Voting Your Shares**

You may vote by proxy or in person at the annual meeting.

*Voting in Person.* If you plan to attend the annual meeting and wish to vote in person, you will be given a ballot at the annual meeting. Please note, however, that if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the annual meeting, you must bring to the annual meeting a proxy from the record holder of the shares authorizing you to vote at the annual meeting.

*Voting by Proxy.* You should vote your proxy even if you plan to attend the annual meeting. You can always change your vote at the annual meeting. Your latest dated vote before the annual meeting will be the vote counted. Voting instructions are included on your proxy card. If you properly grant your proxy and submit it to the Company in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. If no instructions are indicated on a properly executed proxy card or voting instruction, the shares will be voted for the election of all of the director nominees. If other matters properly come before the annual meeting, the shares represented by proxies will be voted, or not voted, by the individuals named in the proxies in their discretion.

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You may submit your proxy through the mail by completing your proxy card and signing, dating and returning it in the enclosed, pre-addressed, postage-paid envelope. To be valid, a returned proxy card must be signed and dated. You may also deliver your voting instructions by telephone or over the Internet. Instructions for voting by telephone or over the Internet may be found on your proxy card.

If you are not the record holder of your shares, you must provide the record holder of your shares with instructions on how to vote your shares. If your shares are held by a bank, broker or other nominee, that bank, broker or nominee may allow you to deliver your voting instructions by telephone. If your shares are held by a broker, you

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may also be allowed to deliver your voting instructions over the Internet. Stockholders whose shares are held by a bank, broker or other nominee should refer to the voting instruction card forwarded to them by that bank, broker or other nominee holding their shares.

## **Possible Proxy Contest**

A Crown Crafts stockholder, Wynnefield Partners Small Cap Value, L.P. (together with its affiliates, Wynnefield Partners Small Cap Value Offshore Fund, Ltd., Wynnefield Partners Small Cap Value, L.P. I, Wynnefield Capital Management, LLC, Wynnefield Capital, Inc., Channel Partnership II, L.P., Nelson Obus and Joshua Landes, Wynnefield ), has advised the Company of its intention to nominate and solicit proxies in support of an opposition slate of two nominees for election to the board of directors at the Company's 2007 annual meeting.

As reported in a Schedule 13D report of beneficial ownership filed with the Securities and Exchange Commission by Wynnefield on June 28, 2007, Wynnefield intends to nominate Frederick G. Wasserman and Nelson Obus for election to the Company's board of directors at the annual meeting. Previously, the Company and Wynnefield Capital Management, Inc. were parties to an agreement dated November 4, 2005 pursuant to which Mr. Wasserman was given the right, on behalf of Wynnefield, to attend and participate in meetings of the Company's board of directors in a non-voting observer capacity and to receive all information discussed with or provided to the Company's directors in connection with such meetings. The Company terminated this agreement on June 28, 2007.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS NOT SUPPORT WYNNEFIELD'S NOMINEES SHOULD WYNNEFIELD PROCEED WITH ITS PLAN TO SOLICIT PROXIES. IF YOU HAVE ALREADY VOTED A PROXY FROM WYNNEFIELD, YOU MAY REVOKE IT AND PROVIDE YOUR SUPPORT TO THE COMPANY'S NOMINEES BY VOTING THE ENCLOSED PROXY IN THE MANNER DISCUSSED ABOVE. ONLY YOUR LATEST DATED PROXY WILL COUNT.**

## **Revoking a Proxy**

You may revoke your proxy at any time before it is voted at the annual meeting by (i) delivering to the secretary of Crown Crafts a signed notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked, (ii) granting a new proxy, relating to the same shares and bearing a later date, or (iii) attending the annual meeting and voting in person. Likewise, if you have already voted a proxy furnished by Wynnefield, you may REVOKE it and support the Company's nominees through these same procedures.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed to Crown Crafts, Inc., P.O. Box 1028, Gonzales, Louisiana 70707, Attn.: Corporate Secretary.

If your shares are held in the name of a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or other nominee. You must contact your broker, bank or other nominee to find out how to do so.

## **Abstentions and Broker Non-Votes**

Shares of Crown Crafts Series A common stock held by persons attending the annual meeting but not voting, and shares of Crown Crafts Series A common stock for which the Company has received proxies but with respect to which holders of those shares have abstained from voting, will be counted as present at the annual meeting for purposes of determining the presence or absence of a quorum for the transaction of business at the annual meeting. Because directors are elected by a plurality of votes cast, abstentions will not be counted in determining which nominees received the largest number of votes cast.

Under certain circumstances, brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned proxies to the brokers (so-called broker non-votes ). In these cases, and in cases where the stockholder abstains from voting on a matter, those shares will be counted for the purpose of determining if a quorum is present but will not be included in the vote totals with respect to those matters and, therefore, will have no effect on the vote. In addition, if a broker indicates on the proxy card that it does not have discretionary authority

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on other matters considered at the annual meeting, those shares will not be counted in determining the number of votes cast with respect to those matters.

### **Solicitation of Proxies**

Crown Crafts will bear the costs of printing and mailing this proxy statement, as well as all other costs incurred on behalf of the Company's board of directors in connection with its solicitation of proxies from the holders of Crown Crafts Series A common stock. The Company has retained Georgeson Inc. to assist the Company and its board of directors in the solicitation of proxies and in the distribution of proxies and accompanying materials to brokerage houses and institutions for a fee of \$15,000 plus expenses. This fee will increase to \$50,000, plus additional service fees and expenses, should Wynnefield proceed with its plan to solicit proxies. In addition, directors, officers and employees of Crown Crafts and its subsidiaries may solicit proxies by mail, personal interview, telephone or other means without additional compensation therefor. Arrangements also will be made with brokerage houses, voting trustees, banks, associations and other custodians, nominees and fiduciaries, who are record holders of the Company's Series A common stock not beneficially owned by them, for forwarding these proxy materials to, and obtaining proxies from, the beneficial owners of such stock entitled to vote at the annual meeting. Crown Crafts will reimburse these persons for their reasonable expenses incurred in doing so.

### **Other Business**

The Company does not expect that any matter other than the proposals presented in this proxy statement will be brought before the annual meeting. However, if other matters are properly presented at the annual meeting or any adjournment or postponement of the annual meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

### **Assistance**

If you need assistance in completing your proxy card or have questions regarding the annual meeting, please contact Olivia Elliott at (225) 647-9124 or write to Ms. Elliott at the following address: P.O. Box 1028, Gonzales, Louisiana 70707.

## **CORPORATE GOVERNANCE**

### **Board of Directors**

The board of directors of Crown Crafts is responsible for establishing broad corporate policies of the Company, monitoring the Company's overall performance and ensuring that the Company's activities are conducted in a responsible and ethical manner. However, in accordance with well-established corporate legal principles, the board of directors is not involved in the Company's day-to-day operating matters. Members of the board are kept informed about the Company's business by participating in board and committee meetings, by reviewing analyses and reports provided to them by the Company and through discussions with the chairman of the board and other officers of the Company.

### **Director Independence**

Each non-employee member of the board is independent, as defined for purposes of the rules of the Securities and Exchange Commission, or SEC, and the listing standards of The Nasdaq Stock Market, or Nasdaq. For a director to be considered independent, the board must determine that the director does not have a relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In

making this determination, the board will consider all relevant facts and circumstances, including any transactions or relationships between the director and the Company or its subsidiaries.

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### **Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics that is applicable to all directors and employees, including the Company's chief executive officer and chief financial officer. The Code of Business Conduct and Ethics covers such topics as conflicts of interest, insider trading, competition and fair dealing, discrimination and harassment, health and safety, confidentiality, payments to governmental personnel and compliance procedures. The Code of Business Conduct and Ethics is posted on the Company's website at [www.crowncrafts.com](http://www.crowncrafts.com). The Company intends to post on its website any amendments to, or waivers from, the Code of Business Conduct and Ethics.

### **Certain Relationships and Related Transactions**

The Company recognizes that transactions between the Company and any of its directors or executive officers can present potential or actual conflicts of interest. Accordingly, as a general matter and in accordance with the Company's Code of Business Conduct and Ethics, it is the Company's preference to avoid such transactions. Nevertheless, the Company recognizes that there are circumstances where such transactions may be in, or not inconsistent with, the best interests of the Company. The Company and the audit committee review all relationships and transactions in which the Company and such related persons are participants on a case-by-case basis. In performing such review, consideration is given to (i) the nature of the related person's interest in the transaction, (ii) the material terms of the transaction, (iii) the significance of the transaction to the related person or the Company, and (iv) other matters deemed appropriate.

During fiscal year 2007, there were no related party transactions in which Crown Crafts was a participant and in which any director or executive officer (or the immediate family members of any director or executive officer) had a direct or indirect material interest, except that Crown Crafts Infant Products, Inc., wholly-owned subsidiary of the Company, employs Gary Freeman, who is the spouse of Nanci Freeman, the President and Chief Executive Officer of Crown Crafts Infant Products. Mr. Freeman serves as Vice President-Warehousing and Distribution of Crown Crafts Infant Products. Mr. Freeman's base salary as of the end of fiscal year 2007 was \$135,700, and he earned a bonus for fiscal year 2007 in the amount of \$33,925. The compensation is commensurate with that of his peers.

### **Board Committees and Meetings**

Currently, the Company's board of directors has two standing committees: the audit committee and the compensation committee. Committee membership and the responsibilities assigned by the board of directors to each of the committees are briefly described below.

The board of directors met six times during fiscal year 2007. The audit committee met three times and the compensation committee met three times during that same period. In addition, the chairman of the audit committee met with the Company's independent accountants twice during fiscal year 2007. Each director attended 100% of the total number of meetings of the board and committees of which he was a member during fiscal year 2007, except for William P. Payne, who attended 50% of the total number of such board and committee meetings. Mr. Payne did not stand for reelection to the Board at the annual meeting held in fiscal year 2006. Seven directors attended the Company's annual meeting held in fiscal year 2006, and all members of the board have been requested to attend the 2007 annual meeting.

*Audit Committee.* The audit committee is currently comprised of three members, none of whom is a current or former employee of the Company or any of its subsidiaries and all of whom are, in the opinion of the board, free from any relationship that would interfere with the exercise of their independent judgment in the discharge of the audit committee's duties. See Audit Committee Disclosure Report of the Audit Committee. The current members of the audit committee are Donald Ratajczak (Chairman), James A. Verbrugge and William T. Deyo, Jr. The audit

committee represents the board in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries. Its primary functions include monitoring the integrity of the Company's financial statements and system of internal controls and the Company's compliance with regulatory and legal requirements; monitoring the independence, qualifications and performance of the Company's independent auditor; and providing an avenue of communication among the independent auditor, management and the board.



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*Compensation Committee.* The compensation committee is currently comprised of three directors, Zenon S. Nie (Chairman), Steven E. Fox and Sidney Kirschner, none of whom is a current or former employee of the Company or any of its subsidiaries and all of whom are, in the opinion of the board, free from any relationship that would interfere with the exercise of their independent judgment in the discharge of the compensation committee's duties. The duties of the compensation committee are generally to establish the compensation for the Company's executive officers and to act on such other matters relating to compensation as it deems appropriate, including an annual evaluation of the Company's chief executive officer and the design and oversight of all compensation and benefit programs in which the Company's employees and officers are eligible to participate.

## **Nominations for Directors**

The Company does not have a standing nominating committee or a charter with respect to the nominating process. The board is of the view that such a committee is unnecessary given the relatively small number of directors elected each year and the fact that all directors are considered by and recommended to the Company's stockholders by the full board, which is comprised of a majority of independent directors. If the board appointed such a committee, its membership would consist of the independent directors or a subset of them. To date, all director nominees recommended to the stockholders have been identified by current directors or management, and the Company has never engaged a third party to identify director candidates. The board would also consider any director candidate proposed in good faith by a stockholder of the Company. To do so, a stockholder should send the director candidate's name, credentials, contact information and his or her consent to be considered as a candidate to the corporate secretary of the Company. The proposing stockholder should also include his or her contact information and a statement of his or her share ownership (how many shares of the Company owned and for how long), as well as any other information required by the Company's bylaws. The board will evaluate candidates based on their financial literacy, business acumen and experience, independence, and willingness, ability and availability for service.

## **Communication with the Board and its Committees**

Any stockholder may communicate with the board by directing correspondence to the board, any of its committees or one or more individual members, in care of the corporate secretary, at Crown Crafts, Inc., P.O. Box 1028, Gonzales, Louisiana 70707.

## **PROPOSAL 1: ELECTION OF DIRECTORS**

### **Election of Directors**

The Company has a classified board currently consisting of three Class I directors (E. Randall Chestnut, William T. Deyo, Jr. and Steven E. Fox), two Class II directors (Sidney Kirschner and Zenon S. Nie) and two Class III directors (Donald Ratajczak and James A. Verbrugge). At each annual meeting of stockholders, directors are duly elected for a full term of three years to succeed those whose terms are expiring. The Class I directors currently serve until the 2007 annual meeting, and the Class II and Class III directors currently serve until the annual meetings of stockholders to be held in 2009 and 2008, respectively.

At the 2007 annual meeting, three Class I directors will be elected to hold office until the 2010 annual meeting of stockholders of the Company. The board of directors has unanimously nominated E. Randall Chestnut, William T. Deyo, Jr. and Steven E. Fox as Class I nominees for election to the board of directors. Each of these nominees presently serves on the board of directors of the Company.

The proxy holder intends to vote for the election of the named nominees unless you have specifically indicated by proper proxy that your shares should be withheld from voting for any or all of these nominees. If at the time of the

annual meeting any nominee is unavailable or unwilling to serve as a director, the proxies will be voted for the remaining nominees and for any other person designated by the board of directors as a nominee. Proxies cannot be voted at the annual meeting for a greater number of persons than the number of nominees named.

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The board of directors unanimously recommends a vote **FOR** each of the Class I nominees discussed below.

**Class I Nominees**

The following persons are the nominees for Class I directorships with terms ending in 2010.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
E. Randall Chestnut	59	1995
William T. Deyo, Jr.	62	2001
Steven E. Fox	61	2001

**E. Randall Chestnut** joined the Company in January 1995 as Vice President, Corporate Development. Since then, he has been an executive of the Company, and in July 2001 he was elected President, Chief Executive Officer and Chairman of the Board.

**William T. Deyo, Jr.** has been a principal of Goddard Investment Group, LLC, a real estate investment firm, since 1999. He was Executive Vice President of NAI/Brannen Goddard Company, a real estate brokerage firm, from 1999 to 2000. From 1966 to 1999, he held various positions with Wachovia Bank in Atlanta, Georgia, serving last as Executive Vice President. Mr. Deyo also is Chairman of the Board of the Fulton County (Georgia) Hospital Authority and a past member of the Board of Directors of the Center for Visually Impaired Foundation.

**Steven E. Fox** is a partner in the law firm of Rogers & Hardin LLP, where he has practiced since 1976. He is a member of the Board of Directors of Athens Olympic Broadcasting S.A.

**Continuing Directors**

The following persons are the Class II and Class III directors of the Company, with terms expiring as set forth below.

<b>Director</b>	<b>Age</b>	<b>Since</b>	<b>Current Term</b>
<b>Class II</b>			
Sidney Kirschner	72	2001	Through 2009
Zenon S. Nie	56	2001	Through 2009
<b>Class III</b>			
Donald Ratajczak	64	2001	Through 2008
James A. Verbrugge	66	2001	Through 2008

**Sidney Kirschner** was Chairman of the Board, President and Chief Executive Officer of Northside Hospital, Atlanta, Georgia, from 1992 to 2004. He is a member of the Board of Directors of Superior Uniform Group, Inc.

**Zenon S. Nie** is Chairman of the Board, President and Chief Executive Officer of the C.E.O. Advisory Board, a management consulting firm he founded in 2000, and has been an operating partner in Tri-Artisan Partners since 2001. From 1993 to 2000, he was Chairman of the Board, President, Chief Executive Officer and Chief Operating Officer of Simmons Company, a manufacturer and distributor of mattresses. He is a member of the Board of Directors

of Business Executives for National Security.

**Dr. Donald Ratajczak** is a consulting economist and the former Chairman and Chief Executive Officer of Brainworks Ventures, Inc., an enterprise development company he founded in 2000. He is also Regent's Professor Emeritus of the Robinson College of Business at Georgia State University. From 1997 to 2000, he was Regent's Professor of Economics at Georgia State University, and from 1973 to 1997, he was a Professor or Associate Professor in that department. He was also the founder and Director of the Economic Forecasting Center at Georgia State University from 1973 to 2000. He is a member of the Board of Directors of each of Ruby Tuesday, Inc., Assurance America Corporation, Citizens Bankshares Corporation and Regan Holding Corp.

**Dr. James A. Verbrugge** is Professor of Finance Emeritus in the Terry College of Business at the University of Georgia. From 2002 to 2004, he was the Director of the Center for Strategic Risk Management in the Terry College.

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From 1976 to 2001, he was the Chairman of the Department of Banking and Finance, and he held the Chair of Banking from 1992 to 2002. He is currently a member of the Board of Directors of Tri-S Security Corporation and Verso Technologies, Inc. He also serves on the board of one private company.

**EXECUTIVE COMPENSATION**

**Executive Officers**

The executive officers of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Position With Company</b>
E. Randall Chestnut(1)	59	Chairman of the Board, President and Chief Executive Officer
Amy V. Samson(2)	46	Vice President and Chief Financial Officer
Nanci Freeman(3)	49	President and Chief Executive Officer, Crown Crafts Infant Products, Inc.
Debra Dunne(4)	45	Vice President Design, Crown Crafts Infant Products, Inc.
Steve Guyer(5)	63	Vice President Procurement, Crown Crafts Infant Products, Inc.

- (1) Information about the business experience of Mr. Chestnut is set forth under Continuing Directors above.
- (2) Ms. Samson joined Crown Crafts on July 23, 2001 as Vice President and Chief Financial Officer. Before joining the Company, she had served, since 1995, as Vice President of Finance and Operations of Hamco, Inc., a wholly-owned subsidiary of the Company.
- (3) Ms. Freeman has been President and Chief Executive Officer of Crown Crafts Infant Products, Inc., a wholly-owned subsidiary of the Company, since 1999.
- (4) Ms. Dunne has been Vice President of Design of Crown Crafts Infant Products, Inc. since 1999.
- (5) Mr. Guyer has been Vice President of Procurement of Crown Crafts Infant Products, Inc. since 1999.

**Compensation Discussion and Analysis**

The compensation committee of the board of directors has overall responsibility for establishing, implementing and monitoring the compensation structure, policies and programs of the Company. The committee is responsible for assessing and approving the total compensation structure paid to the Company's chief executive officer and the chief executive officer's compensation recommendations for other executive officers. Thus, the committee is responsible for determining whether the compensation paid under the Company's programs is fair, reasonable and competitive and whether it serves the interest of the Company's stockholders. The compensation committee's chairman regularly reports to the board of directors on compensation committee actions and recommendations. The Company's compensation committee has authority to retain (at the Company's expense) outside counsel, compensation consultants and other advisors to assist as needed.

The individuals who served as the Company's chief executive officer and chief financial officer during fiscal year 2007, as well as the other individuals included in the Summary Compensation Table below, are referred to as the named executive officers. With respect to the named executive officers, this Compensation Discussion and Analysis identifies the Company's current compensation philosophy and objectives and describes the various methodologies, policies and practices for establishing and administering the compensation programs of the named executive officers.

### **Compensation Philosophy and Objectives**

The compensation committee believes that the most effective executive compensation programs are those that align the interests of the executive with those of the Company's stockholders. The compensation committee believes

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that a properly structured compensation program will attract and retain talented individuals and motivate them to achieve specific short- and long-term strategic objectives. The compensation committee believes that a significant percentage of executive pay should be based on the principle of pay-for-performance. However, the compensation committee also recognizes that the Company must maintain its ability to attract highly talented executives. For this reason, an important objective of the compensation committee is to ensure the compensation programs of the named executive officers are competitive as compared to similar positions within our peer-group companies (the compensation peer group ).

The Company's executive compensation programs are designed to provide:

levels of base compensation that are competitive with comparable companies;

annual incentive compensation that varies in a consistent manner with the achievement of individual performance objectives and financial results of the Company;

long-term incentive compensation that focuses executive efforts on building stockholder value through meeting longer-term financial and strategic goals; and

executive benefits that are meaningful and competitive with comparable companies.

In designing and administering its executive compensation programs, the compensation committee attempts to strike an appropriate balance among these various elements. The compensation committee considers the pay practices of the compensation peer group to determine the appropriate pay mix and compensation levels. With respect to performance-based pay, the compensation committee believes that executive compensation should be closely tied to financial and operational performance of the Company, as well as to the individual performance and responsibility level of the named executive officers. The compensation committee also believes there should be a significant equity-based component because it best aligns the executives' interests with those of the Company's stockholders. For purposes of retention, the compensation committee believes that the equity-based compensation should have meaningful conditions to encourage valued employees to remain in the employ of the Company. Finally, the compensation committee also considers other forms of executive pay as a means to attract, retain and motivate highly qualified executives.

## **Methodology for Establishing Compensation**

The compensation committee is comprised of three independent directors who satisfy the Nasdaq listing requirements and relevant SEC regulations. There are no interlocking relationships between any member of our compensation committee and any of our executive officers. None of the compensation committee members is an officer, employee or former officer or employee of the Company.

The compensation committee is responsible for all compensation decisions for the chief executive officer and other named executive officers. The chief executive officer annually reviews the performance of the other named executive officers, including consideration of market pay practices of the compensation peer group in conjunction with both Company and individual performance. The conclusions and recommendations of the chief executive officer are presented to the compensation committee for approval. The compensation committee has absolute discretion as to whether it approves the recommendations of the chief executive officer or makes adjustments, as it deems appropriate.

## **The Elements of Compensation**

Total direct compensation includes cash, in the form of base salary and annual incentives, and long-term equity incentives. The compensation committee evaluates the mix between these three elements based on the pay practices of comparable companies. To ensure that compensation levels are reasonably competitive with market rates, the compensation committee has engaged Robert H. Kurisu ( Kurisu ), an executive compensation consultant, to provide an independent analysis of the Company's executive compensation policies and practices and provide analyses on the pay practices of the compensation peer group. Kurisu reports directly to the compensation committee and the board of directors, and from time to time and with prior notice to the compensation committee, Kurisu also provides executive compensation analysis to management.



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The companies included in the compensation peer group are selected primarily on the basis of their comparability to the Company based on size, as measured through annual revenue, market capitalization and other financial measures. Kurisu's report provides the compensation committee with compensation comparisons and the Company's relative ranking in all pay categories. Kurisu also provides recommendations regarding program changes and refinements. Although the compensation committee also considers and reviews information from proxy statements and other relevant survey data, it particularly focuses on the practices of the compensation peer group in considering compensation levels for the chief executive officer and the other named executive officers. The compensation committee considers the opinions and recommendations of the chief executive officer and various outside counsel and strives to be fully informed in its determination of the appropriate compensation mix and award levels for the named executive officers. All compensation decisions are made with consideration of the compensation committee's guiding principles of fairness to employees, retention of talented executives and fostering improved Company performance, which will ultimately benefit the Company's stockholders. With respect to the named executive officers, the following describes in greater detail the objectives and policies behind the various elements of the compensation mix.

### ***Base Salary***

It is the Company's philosophy that employees be paid a base salary that is competitive with the salaries paid by comparable organizations based on each employee's experience, performance and geographic location. Generally, the Company has chosen to position cash compensation at close to market median levels in order to remain competitive in attracting and retaining executive talent. The allocation of total cash between base salary and incentive bonus awards is based on a variety of factors. The compensation committee considers a combination of the executive's performance, the performance of the Company and the individual business or corporate function for which the executive is responsible, the nature and importance of the position and role within the Company, the scope of the executive's responsibility, internal relationships or comparisons and the current compensation package in place for that executive, including the executive's current annual salary and potential bonus awards under the Company's short-term incentive plan.

The compensation committee generally evaluates executive salaries annually. An analysis of executive compensation indicated that base salaries for the named executive officers were generally positioned at the market median. For the 2007 fiscal year, based in part on consultation with its independent compensation consultant, and in part upon the compensation committee's own assessment of the information and factors described above, the compensation committee determined to increase the base salaries of the named executive officers incrementally to maintain market median levels.

### ***Annual Incentive Bonus***

The Company intends to continue its strategy of compensating the named executive officers through programs that emphasize performance-based incentive compensation. The Company's short-term incentive compensation program is designed to recognize and reward executive officers and other employees who contribute meaningfully to an increase in stockholder value and profitability.

In general, the funding of the annual incentive bonus pool is dependent upon earnings before interest, taxes, depreciation and amortization (after deducting incentive compensation) of the Company and its subsidiaries. If the plan is fully funded, each named executive officer has the ability to receive the target bonus payout. The percentage of the target bonus actually paid to each named executive officer depends on the goal attainment levels. The threshold level of performance for funding the bonus pool is 90% of target, at which point the annual bonus pool is 5% funded. For fiscal year 2007, the Company and its subsidiaries (other than Churchill Weavers, Inc., for which no bonus plan had been proposed for fiscal year 2007) achieved the maximum performance target, and the bonus pool was fully funded.

***Long-Term Incentive Awards***

Long-term incentive awards are the third component of the Company's total compensation package. The compensation committee believes that equity-based compensation ensures that the Company's officers have a

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continuing stake in the long-term success of the Company. The Company's 2006 Omnibus Incentive Plan provides for equity incentive awards, which include qualified and nonqualified stock options, restricted stock, stock appreciation rights, long-term incentive compensation units consisting of a combination of cash and common stock or any combination thereof within the limitations set forth in the omnibus plan. Awards may be granted under the omnibus plan from time to time for 10 years from the omnibus plan's effective date of June 13, 2006. The compensation committee approves all awards under the omnibus plan and acts as the administrator of the omnibus plan.

Award levels under the omnibus plan are determined based on the compensation practices of the compensation peer group. In general, long-term incentive awards are targeted at the median of the compensation peer group with appropriate adjustments for individual and Company performance, although past awards have generally been below market levels. Options granted under the omnibus plan vest and become exercisable in equal installments over a two-year period from the grant date. All stock options have been granted with a ten-year term and have an exercise price equal to the fair market value of the Company's common stock on the date of grant. Restricted stock awards under the omnibus plan are subject to cliff vesting on the fourth anniversary of the date of grant. Shares of restricted stock are held by the Company in escrow until restrictions lapse and the participant pays taxes on the shares. Participants are entitled to any dividends payable on their restricted stock and to vote their shares. Restricted stock cannot be sold or transferred until the shares vest. Should a named executive officer leave the Company prior to the completion of the applicable vesting schedule, the unvested portion of the grant is forfeited.

In an effort to provide the named executive officers with equity compensation that is consistent with the compensation peer group and to further strengthen retention efforts and commitment levels, the compensation committee approved grants of stock options and restricted stock in fiscal year 2007.

### ***Broad-Based Benefits Programs***

The named executive officers are entitled to participate in the benefits programs that are available to all full-time employees. These benefits include health, dental, vision and life insurance, healthcare reimbursement accounts, paid vacation and company contributions to a 401(k) profit-sharing retirement plan. The Company's 401(k) plan provides for matching contributions by the Company in an amount equal to the first 2% of employee compensation deferred, plus 50% of the next 1% of employee compensation deferred. All full-time employees age 21 and older are eligible to participate in the plan after six months of service.

### **Evaluation of Chief Executive Officer Compensation and Executive Performance**

#### ***Compensation of Chief Executive Officer***

The compensation committee meets with the other independent directors each year in executive session to evaluate the performance of the chief executive officer. The compensation committee also consults with its independent consultant in setting the chief executive officer's compensation. Neither the compensation committee nor its independent consultant confers with the chief executive officer or any other members of management when setting his base salary. The compensation committee does not rely solely on predetermined formulas or a limited set of criteria when it evaluates the performance of the chief executive officer and the other named executive officers. For fiscal year 2007, the compensation committee considered the chief executive officer's recent performance, his achievements in prior years, his achievement of specific short-term goals and the Company's performance in fiscal year 2006. Based on its review, the compensation committee at its June 2006 meeting approved a merit increase to raise the chief executive officer's salary to \$405,000 effective on July 8, 2006.

#### ***Compensation of Named Executive Officers***

The chief executive officer met with the compensation committee to review his compensation recommendations for the other named executive officers. He described the findings of his performance evaluation of each named executive officer and provided the basis of his recommendations with the compensation committee, including the scope of their duties, oversight responsibilities and the executive officers' individual objectives and goals against results achieved for fiscal year 2006.

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For fiscal year 2007, the compensation committee approved base salary adjustments at its June 2006 meeting for the named executive officers, effective on July 8, 2006, as follows: E. Randall Chestnut, \$405,000; Nanci Freeman, \$260,675; Amy V. Samson, \$225,000; Steve Guyer, \$150,000; and Debra Dunne, \$147,700. In its analysis of the other named executive officers, the compensation committee applied the same rationale to this group as it applied when considering the chief executive officer's base salary. The compensation committee also considered the pay practices of the compensation peer group and the analyses and recommendations provided by Kurisu, its independent consultant.

## **Administrative Policies and Practices**

To evaluate and administer the compensation programs of the chief executive officer and other named executive officers, the compensation committee meets periodically each year in conjunction with regularly scheduled board meetings. The compensation committee also holds special meetings and meets telephonically to discuss extraordinary items. Additionally, the compensation committee members regularly confer with Kurisu, its compensation consultant, on matters regarding the compensation of the chief executive officer and other named executive officers.

## ***Timing of Grants of Options and Restricted Stock***

In fiscal year 2007, the compensation committee approved stock option and restricted grants to the named executive officers in August 2006. It is the compensation committee's practice generally to use the date it approves the grants for purposes of establishing the grant date for stock options and restricted stock.

## ***Stock Ownership Guidelines***

The compensation committee has not implemented stock ownership guidelines for the named executive officers. The compensation committee, however, continues to periodically review best practices and re-evaluate whether stock ownership guidelines are consistent with the compensation philosophy of the Company and with the stockholders interests.

## ***Tax Deductibility of Executive Officer Compensation***

Certain provisions of the federal tax laws limit the deductibility of certain compensation for the chief executive officer and other executives to \$1.0 million in applicable remuneration in any year. To date, this provision has had no effect on the Company because no officer of the Company has received \$1.0 million in applicable remuneration in any year. The compensation committee, for the benefit of the Company and its stockholders, will take the necessary steps to conform its compensation to qualify for deductibility if it appears that the threshold may be exceeded at some time in the future. Further, the compensation committee intends to give strong consideration to the deductibility of compensation in making its compensation decisions for executive officers in the future, again balancing the goal of maintaining a compensation program which will enable the Company to attract and retain qualified executives with the goal of maximizing the creation of long-term stockholder value.

## **Compensation Committee Report**

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with the Company's management. Based upon that review and those discussions,

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the compensation committee recommends to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the compensation committee:

Zenon S. Nie (Chairman)  
Steven E. Fox  
Sidney Kirschner

**Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee during fiscal year 2007 or as of the date of this proxy statement is or has been an officer or employee of the Company. None of the Company's executive officers serves, or served during fiscal year 2007, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Company's board or its compensation committee.

**Summary Compensation Table**

The following table sets forth all compensation paid or accrued during fiscal year 2007 to the named executive officers.

Name and Principal Position	Fiscal Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan	All Other	Total (\$)
					Compensation (\$)(3)	Compensation (\$)	
E. Randall Chestnut Chairman of the Board, President and Chief Executive Officer	2007	\$ 399,615	\$ 147,000	\$ 61,434	\$ 243,000	\$ 19,563(4)	\$ 870,612
Amy V. Samson Vice President and Chief Financial Officer	2007	\$ 215,477	\$ 10,566	\$ 12,287	\$ 90,000	\$ 17,901(5)	\$ 346,231
Nanci Freeman President and Chief Executive Officer, Crown Crafts Infant Products, Inc.	2007	\$ 260,676	\$ 8,269	\$ 9,215	\$ 104,270	\$ 20,458(6)	\$ 402,888
Debra Dunne Vice President-Design, Crown Crafts Infant Products, Inc.	2007	\$ 146,916	\$ 0	\$ 6,144	\$ 44,310	\$ 4,759(7)	\$ 202,129
Steve Guyer Vice President-Procurement,	2007	\$ 146,688	\$ 0	\$ 6,144	\$ 37,500	\$ 4,528(7)	\$ 194,860

Crown Crafts Infant  
Products, Inc.

- (1) Stock awards consist of awards of unvested stock granted on August 25, 2006. Amounts shown do not reflect compensation actually received by the named executive officer. The amounts shown represent expense recognized in the Company's fiscal year 2007 consolidated financial statements in accordance with SFAS 123(R), excluding any impact of assumed forfeiture rates.
- (2) Amounts shown do not reflect compensation actually received by the named executive officer. The amounts shown represent expense recognized in the Company's fiscal year 2007 consolidated financial statements in accordance with SFAS 123(R), excluding any impact of assumed forfeiture rates.
- (3) Amounts consist of cash incentive compensation awards earned for services rendered in fiscal year 2007.
- (4) Represents amounts paid by the Company on behalf of Mr. Chestnut as follows: (i) \$14,063 in automobile expenses and (ii) \$5,500 in matching contributions to Mr. Chestnut's account under the Company's 401(k) retirement savings plan.

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- (5) Represents amounts paid by the Company on behalf of Ms. Samson as follows: (i) \$12,401 in automobile expenses and (ii) \$5,500 in matching contributions to Ms. Samson's account under the Company's 401(k) retirement savings plan.
- (6) Represents amounts paid by the Company on behalf of Ms. Freeman as follows: (i) \$14,958 in automobile expenses and (ii) \$5,500 in matching contributions to Ms. Freeman's account under the Company's 401(k) retirement savings plan.
- (7) Represents matching contributions to Ms. Dunne's and Mr. Guyer's respective accounts under the Company's 401(k) retirement savings plan.

**Grants of Plan-Based Awards**

The following table sets forth information regarding grants of equity awards and non-equity incentive awards made during fiscal year 2007 to the named executive officers.

Name	Grant Date	Grant Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards Number of Share of Stock or Units (#)(2)	All Other Option Awards Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date and Fair Value of Stock and Option Awards(4)
			Threshold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)				
Randall Chestnut	6/13/2006	6/13/2006	\$ 12,150	\$ 243,000	\$ 243,000				
	8/25/2006	8/8/2006				320,000		\$ 1,008,000	
	8/25/2006	8/18/2006					100,000	\$ 3.15 \$ 205,060	
Guy V. Samson	6/13/2006	6/13/2006	\$ 4,500	\$ 90,000	\$ 90,000				
	8/25/2006	8/8/2006				23,000		\$ 72,450	
	8/25/2006	8/18/2006					20,000	\$ 3.15 \$ 41,010	
Manci Freeman	6/13/2006	6/13/2006	\$ 5,214	\$ 104,270	\$ 104,270				
	8/25/2006	8/8/2006				18,000		\$ 56,700	
	8/25/2006	8/18/2006					15,000	\$ 3.15 \$ 30,750	
Lara Dunne	6/13/2006	6/13/2006	\$ 2,216	\$ 44,310	\$ 44,310				
	8/25/2006	8/18/2006					10,000	\$ 3.15 \$ 20,500	
Steve Guyer	6/13/2006	6/13/2006	\$ 1,875	\$ 37,500	\$ 37,500				
	8/25/2006	8/18/2006					10,000	\$ 3.15 \$ 20,500	

- (1) Amounts are based on the named executive officer's base salary. Each named executive officer earned his or her target incentive bonus, based on the performance of the Company and its subsidiaries, in fiscal year 2007, which will be paid in fiscal year 2008.



- (2) Amounts shown are the number of shares of service-based unvested stock awards granted on August 25, 2006. The shares vest on the fourth anniversary of the date of grant.
- (3) Amounts shown are the number of shares underlying the options granted to the named executive officers on August 25, 2006. The options vest and become exercisable in equal installments over a 2-year period.
- (4) Amounts shown represent the aggregate fair value of stock options as of the date of grant calculated in accordance with SFAS 123(R).

### **Employment, Severance and Compensation Arrangements**

Crown Crafts has entered into employment agreements with each of the named executive officers other than Mr. Guyer. The Company has also entered into a severance protection agreement with Mr. Chestnut. A summary of the terms of these agreements is set forth below.

*E. Randall Chestnut.* The Company entered into an employment agreement with Mr. Chestnut effective as of July 23, 2001, pursuant to which Mr. Chestnut has agreed to serve as President, Chief Executive Officer and Chairman of the Board of the Company. The original term of Mr. Chestnut's employment agreement expired March 31, 2004; however, the agreement currently renews automatically on a monthly basis unless either party gives the other party one year's advance notice of non-renewal.

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Mr. Chestnut's employment agreement provides for an initial annual salary of \$350,000, subject to annual review and upward adjustment, and cash bonuses based on the Company's achievement of performance criteria established by the compensation committee, as well as other benefits under programs adopted by the Company from time to time.

Mr. Chestnut's employment agreement also contains one-year post-employment non-competition provisions.

The Company entered into an amended and restated severance protection agreement with Mr. Chestnut effective as of April 20, 2004. This agreement provides for a two-year term renewable annually (so as to always be effective for two years after each renewal date), unless either party notifies the other of non-renewal in a timely manner. Under Mr. Chestnut's severance protection agreement, Mr. Chestnut is entitled to certain benefits upon the termination of his employment. These benefits are discussed in the section of this proxy statement entitled "Potential Payments Upon Termination or Change in Control."

*Amy V. Samson.* The Company entered into an amended and restated employment agreement with Ms. Samson effective as of April 20, 2004, pursuant to which Ms. Samson has agreed to serve as Chief Financial Officer of the Company. The original term of Ms. Samson's employment agreement expired April 30, 2005; however, the agreement currently renews automatically on a monthly basis unless either party gives the other party one year's advance notice of non-renewal.

Ms. Samson's employment agreement provides for an initial annual salary of \$176,400.12, subject to annual review and upward adjustment, and cash bonuses based on the Company's achievement of performance criteria established by the compensation committee, as well as other benefits under programs adopted by the Company from time to time.

Ms. Samson's employment agreement also contains one-year post-employment non-competition provisions.

Under Ms. Samson's employment agreement, Ms. Samson is entitled to certain benefits upon the termination of her employment. These benefits are discussed in the section of this proxy statement entitled "Potential Payments Upon Termination or Change in Control."

*Nanci Freeman.* The Company entered into an amended and restated employment agreement with Ms. Freeman effective as of April 20, 2004, pursuant to which Ms. Freeman has agreed to serve as President and Chief Executive Officer of Crown Crafts Infant Products, Inc., a wholly-owned subsidiary of the Company. The original term of Ms. Freeman's employment agreement expired April 30, 2005; however, the agreement currently renews automatically on a monthly basis unless either party gives the other party one year's advance notice of non-renewal.

Ms. Freeman's employment agreement provides for an initial annual salary of \$248,062.50, subject to annual review and upward adjustment, and cash bonuses based on the Company's achievement of performance criteria established by the compensation committee, as well as other benefits under programs adopted by the Company from time to time.

Ms. Freeman's employment agreement also contains one-year post-employment non-competition provisions.

Under Ms. Freeman's employment agreement, Ms. Freeman is entitled to certain benefits upon the termination of her employment. These benefits are discussed in the section of this proxy statement entitled "Potential Payments Upon Termination or Change in Control."

*Debra Dunne.* The Company entered into an employment agreement with Ms. Dunne effective as of July 23, 2001, as amended, pursuant to which Ms. Dunne has agreed to serve as Vice President - Design of Crown Crafts Infant Products, Inc., a wholly-owned subsidiary of the Company. The original term of Ms. Dunne's employment agreement expired March 31, 2003; however, the agreement currently renews automatically on a monthly basis unless either party gives the other party one year's advance notice of non-renewal.

Ms. Dunne's employment agreement provides for an initial annual salary of \$127,500 and cash bonuses based on the Company's achievement of performance criteria established by the compensation committee, as well as other benefits under programs adopted by the Company from time to time. Ms. Dunne's employment agreement also contains one-year post-employment non-competition provisions.

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Under Ms. Dunne's employment agreement, Ms. Dunne is entitled to certain benefits upon the termination of her employment. These benefits are discussed in the section of this proxy statement entitled "Potential Payments Upon Termination or Change in Control."

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information regarding the outstanding equity awards held by the named executive officers at April 1, 2007, the last day of the Company's 2007 fiscal year.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (1)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)	Market Value of Shares or Units of Stock That Have Not Vested (3)
E. Randall Chestnut	35,000		\$ 1.1875	9/8/2010	320,000	\$ 1,536,000
		100,000	\$ 3.15	8/25/2016		
Amy V. Samson	2,500		\$ 2.3125	12/28/2009	23,000	\$ 110,400
	5,000		\$ 1.0625	7/7/2010		
		20,000	\$ 3.15	8/25/2016		
Nanci Freeman	5,000		\$ 2.3125	12/28/2009	18,000	\$ 86,400
	10,000		\$ 1.0625	7/7/2010		
		15,000	\$ 3.15	8/25/2016		
Debra Dunne	2,500		\$ 2.3125	12/28/2009		
	2,500		\$ 1.0625	7/7/2010		
	20,500		\$ 0.71	8/28/2012		
	10,000		\$ 0.65	11/7/2013		
		10,000	\$ 3.15	8/25/2016		
Steve Guyer	2,500		\$ 2.3125	12/28/2009		
	2,500		\$ 1.0625	7/7/2010		
	20,500		\$ 0.71	8/28/2012		
	10,000		\$ 0.65	11/7/2013		
		10,000	\$ 3.15	8/25/2016		

(1) Amounts shown are the number of shares underlying the options granted to the named executive officers on August 25, 2006. The options vest and become exercisable in equal installments over a 2-year period.

- (2) Amounts shown are the number of shares of service-based unvested stock awards granted on August 25, 2006. The shares vest on the fourth anniversary of the date of grant.
- (3) Market values shown are based on the closing price of the Company's common stock as of March 30, 2007 (\$4.80), as reported on The Nasdaq Capital Market.

### **Option Exercises and Stock Vested**

There were no options exercised during fiscal year 2007 by any named executive officers, nor did any shares of unvested stock held by any named executive officers vest during fiscal year 2007.

### **Pension Benefits**

The Company does not maintain any qualified or nonqualified defined benefit plans.

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**Nonqualified Deferred Compensation**

The Company does not maintain any nonqualified defined contribution plans or other deferred compensation plans.

**Potential Payments Upon Termination or Change in Control**

Each of the employment agreements between the Company and the named executive officers, other than Mr. Guyer, who does not have an employment agreement with the Company, requires the Company to make severance payments and provide severance benefits to the executive under certain circumstances if his or her employment with the Company is terminated other than for Cause or the executive's death or disability. For these purposes, a termination of employment is generally for Cause if the executive has been convicted of a felony or if the termination is evidenced by a resolution adopted in good faith by two-thirds of the Company's board that the executive (i) intentionally and continually failed substantially to perform his or her reasonably assigned duties for a period of at least thirty days after a written notice of demand for substantial performance has been delivered to the executive, or (ii) intentionally engaged in illegal conduct or gross misconduct which results in material economic harm to the Company.

Under Mr. Chestnut's employment agreement and severance protection agreement, if, during the two years following a Change in Control, he terminates his employment for Good Reason or for any reason during the 90-day period commencing 90 days after the occurrence of the Change in Control or if the Company terminates his employment other than for Cause, death or disability, he will be entitled to receive the following payments, benefits or rights: (i) payment of three times his annual base salary (based upon the highest rate in effect on certain dates as set forth in the employment agreement); (ii) payment of three times the bonus amount previously paid to him (based upon the highest amount previously paid during certain periods as set forth in the employment agreement); (iii) for a period of three years, or such longer period as may be provided by the terms of the appropriate program, practice or policy, continuation on behalf of Mr. Chestnut, his dependents and beneficiaries of life insurance, disability, medical, dental and hospitalization benefits; (iv) payment of the excess retirement benefit he would have received had he remained employed for three additional years; (v) all of Mr. Chestnut's outstanding incentive awards shall become fully vested and, if applicable, fully exercisable; (vi) Mr. Chestnut may require the Company to purchase within five days following his termination any shares of stock or shares purchased upon exercise of any options at a price equal to the fair market value of such shares on the date of purchase by the Company; (vii) payment of outplacement services up to \$30,000; and (viii) payment of reasonable moving expenses.

Under the employment agreements between the Company and each of Ms. Samson, Ms. Freeman and Ms. Dunne, if such executive's employment is terminated by the Company without Cause or by the executive for Good Reason, then the executive is entitled to payment of (i) her salary, perquisites and all other compensation other than bonuses for the greater of the remaining term of her employment agreement and one year and (ii) a bonus, which, in the case of Ms. Samson and Ms. Freeman, is required to be an amount equal to the highest annual bonus paid or payable to her in respect of any of the preceding three full fiscal years. These benefits are also payable to either Ms. Samson or Ms. Freeman if her respective employment agreement is not expressly assumed by any acquirer of the Company, whether by purchase, merger, consolidation or otherwise, and to Ms. Dunne if her agreement is not specifically assumed following a Change in Control.

Under their respective employment agreements, Ms. Samson and Ms. Freeman are each entitled to provide notice of termination of employment and receive the severance payments and benefits discussed in the immediately preceding paragraph under the following circumstances: (i) if there occurs a Change in Control, and if at the time of such Change in Control, E. Randall Chestnut is not employed by the Company or any of its affiliates; or (ii) if there occurs a Change in Control and if Mr. Chestnut is so employed at the time of such Change in Control and at any time during

the 180-day period immediately following the occurrence of such Change in Control, Mr. Chestnut shall no longer be employed by the Company or any of its affiliates for whatever reason.

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For these purposes, "Good Reason" generally means a good faith determination by the executive that, without the executive's consent, any one or more of the following events or conditions has occurred:

the assignment to the executive of any duties inconsistent with the executive's position, authority, duties or responsibilities;

a material reduction by the Company of the executive's base salary or an adverse change in the eligibility requirements or performance criteria under any bonus, incentive or compensation plan, program or arrangement;

any failure to pay the executive any compensation or benefits to which the executive is entitled within five days of the date due;

with respect to Mr. Chestnut, a failure to increase his base salary at least annually at a percentage of base salary no less than the average percentage increases granted to him during the three fiscal years ended prior to a Change in Control;

the Company's requiring the executive to be based anywhere other than within 50 miles of the executive's job location (25 miles in the case of Mr. Chestnut), except for reasonably required travel;

the failure by the Company to continue in effect any pension, bonus, incentive, stock ownership, purchase, option, life insurance, health, accident disability, or any other employee benefit plan, program or arrangement, in which the executive participates, or the taking of any action by the Company that would adversely affect the executive's participation or materially reduce the executive's benefits under any of such plans;

the taking of any action by the Company that would materially adversely affect the physical conditions in or under which the executive performs his or her employment duties;

the insolvency or the filing of a petition for bankruptcy by the Company;

any purported termination of the executive's employment for Cause by the Company which does not comply with the specified provisions governing a termination for Cause; or

any breach by the Company of any material provision of the executive's employment agreement.

"Change in Control" under the Company's employment agreements with Ms. Samson, Ms. Freeman and Ms. Dunne generally means (i) any transaction, whether by merger, consolidation, asset sale, tender offer, reverse stock split or otherwise, which results in the acquisition or beneficial ownership by any person or entity or any group of persons or entities acting in concert or 25% or more of the outstanding shares of common stock of the Company; (ii) the sale of all or substantially all of the assets of the Company; or (iii) the liquidation of the Company.

"Change in Control" under the Company's severance protection agreement with Mr. Chestnut generally means any of the following:

an acquisition of any voting securities of the Company by any person immediately after which such person has beneficial ownership of 25% or more of the combined voting power of the Company's then outstanding voting securities;



the individuals who as of the date of the severance protection agreement are members of the board of directors cease to constitute at least a majority of the members of the board, provided that (i) if the election, or nomination for election by the Company's common shareholders, of any new director was approved by a vote of at least a majority of the incumbent board, such new director shall be considered as a member of the incumbent board, and (ii) no individual shall be considered a member of the incumbent board if such individual initially assumed office as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the board; or

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approval by shareholders of the Company of:

a merger, consolidation or reorganization involving the Company, unless such transaction is a Non-Control Transaction, which means a merger, consolidation or reorganization of the Company where:

the shareholders of the Company, immediately before such merger, consolidation or reorganization, own immediately following such transaction at least a majority of the combined voting power of the outstanding voting securities of the corporation resulting from such transaction in substantially the same proportion as their ownership of the voting securities of the Company immediately before such transaction,

the individuals who were members of the incumbent board immediately prior to the execution of the agreement providing for such transaction constitute at least a majority of the members of the board of directors of (i) the surviving corporation or (ii) a corporation beneficially owning a majority of the voting securities of the surviving corporation, and

no person other than (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan maintained by the Company, the surviving corporation or any subsidiary, or (iv) any person who, immediately prior to such merger, consolidation or reorganization, had beneficial ownership of 25% or more of the then outstanding voting securities), has beneficial ownership of 25% or more of the combined voting power of the surviving corporation's then outstanding voting securities;

a complete liquidation or dissolution of the Company; or

an agreement for the sale or other disposition of all or substantially all of the assets of the Company to any person (other than a transfer to a subsidiary).

Based upon a hypothetical termination of each named executive officer on April 1, 2007, the last day of the Company's 2007 fiscal year, by such executive for Good Reason or following a Change in Control or by the Company without Cause (except as set forth in the footnotes below with respect to certain stock and option awards), assuming the existence of the facts discussed above upon which the executives' receipt of severance benefits is conditioned, estimated severance benefits payable to each named executive officer would be as follows:

<b>Name</b>	<b>Salary, Bonus and Other Benefits (\$)</b>	<b>Accelerated Vesting of Stock Awards (\$)</b>	<b>Accelerated Vesting of Stock Options (\$)</b>	<b>Other (\$)</b>	<b>Total (\$)</b>
E. Randall Chestnut	\$ 2,031,410(1)	\$ 1,008,000(3)	\$ 165,000(5)	\$ 45,000(7)	\$ 3,249,410(8)
Amy V. Samson	\$ 339,600(2)	\$ 72,450(4)	\$ 33,000(6)	\$	\$ 445,050
Nanci Freeman	\$ 400,722(2)	\$ 56,700(4)	\$ 24,750(6)	\$	\$ 482,172
Debra Dunne	\$ 214,628(2)	\$	\$ 16,500(6)	\$	\$ 231,128
Steve Guyer	\$	\$	\$ 16,500(6)	\$	\$ 16,500

(1)

Represents salary, bonus, estimated costs of insurance benefits and contributions to the Company's 401(k) retirement savings plan.

- (2) Represents salary, bonus and estimated costs of other benefits.
- (3) Represents the intrinsic value (the value of the Company's stock on April 1, 2007) of the unvested stock that would vest.
- (4) Represents the intrinsic value (the value of the Company's stock on April 1, 2007) of the unvested stock that would vest under the executive's stock grant agreements upon a change in control.
- (5) Represents the intrinsic value (the value of the Company's stock on April 1, 2007 minus the exercise price) of the unvested, unexercised stock option awards that would vest and become exercisable.
- (6) Represents the intrinsic value (the value of the Company's stock on April 1, 2007 minus the exercise price) of the unvested, unexercised stock option awards that would vest and become exercisable under the executive's option grant agreements upon a change in control.

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- (7) Under the terms of Mr. Chestnut's severance protection agreement, Mr. Chestnut would be entitled to receive up to \$30,000 of outplacement services and reasonable moving expenses, estimated to be approximately \$15,000.
- (8) Mr. Chestnut's severance protection agreement also provides that if any payment or benefit to which Mr. Chestnut is entitled pursuant to the agreement gives rise to excise tax liability for Mr. Chestnut under Section 4999 of the Internal Revenue Code, a tax gross-up will be provided to him so that he will receive the same after-tax payment as would have been the case if such payment or benefit were not subject to such excise tax. A gross-up payment amount has not been included in this table.

**Director Compensation**

Each non-employee director is paid an annual cash retainer of \$20,000, and committee chairmen are paid an additional \$4,500 annual cash retainer. During fiscal year 2007, each non-employee director also received a cash fee of \$2,500 for each board meeting attended and \$2,000 for each committee meeting held other than in conjunction with a board meeting. For each committee meeting that is held in conjunction with a board meeting, each committee member receives a cash fee of \$1,000. An additional \$2,500 is received for travel time associated with attending the Company's annual meeting. Each non-employee director also received an option grant on August 25, 2006 to purchase 2,000 shares of the Company's Series A common stock. Directors who are employees of Crown Crafts or its subsidiaries do not receive any compensation for their service as directors.

The following table sets forth information regarding compensation paid to current and former non-employee directors of the Company for fiscal year 2007.

Name	Fees Earned or Paid in Cash \$(1)	Option Awards \$(2)(3)	Total (\$)
William T. Deyo, Jr.	\$ 40,500	\$ 966	\$ 41,466
Steven E. Fox	\$ 41,500	\$ 966	\$ 42,466
Sidney Kirschner	\$ 41,500	\$ 966	\$ 42,466
Zenon S. Nie	\$ 52,000	\$ 966	\$ 52,966
William P. Payne	\$ 11,833	\$ 0	\$ 11,833
Donald Ratajczak	\$ 49,000	\$ 966	\$ 49,966
James A. Verbrugge	\$ 40,500	\$ 966	\$ 41,466

- (1) Includes fees earned in fiscal year 2007 but paid in fiscal years 2007 and 2008.
- (2) The options vest and become exercisable in equal installments over a 2-year period. The amounts shown do not reflect compensation actually received by each director. The amounts shown represent expense recognized in the Company's fiscal year 2007 consolidated financial statements in accordance with SFAS 123(R), excluding any impact of assumed forfeiture rates.
- (3) As of April 1, 2007, each director then in office or former director had the following number of options outstanding: William T. Deyo, Jr., 3,999; Steven E. Fox, 10,000; Sidney Kirschner, 8,000; Zenon S. Nie, 3,999; William P. Payne, 0; Donald Ratajczak, 3,999; and James A. Verbrugge, 3,999.

**AUDIT COMMITTEE DISCLOSURE**

**Report of the Audit Committee**

The audit committee of the Company's board of directors is comprised of three directors, all of whom are independent, as defined by the listing standards of Nasdaq. The board has determined that Donald Ratajczak is an audit committee financial expert within the meaning of regulations adopted by the SEC as a result of his accounting and related financial management expertise and experience. The main function of the audit committee is to ensure that effective accounting policies are implemented and that internal controls are in place to deter fraud, anticipate financial risks and promote accurate and timely disclosure of financial and other material information to the public markets, the board and the stockholders. The audit committee also reviews and recommends to the board the approval of the annual financial statements and provides a forum, independent of management, where the

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Company's auditors can communicate any issues of concern. In performing all of these functions, the audit committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management and independent auditors, which, in their report, express an opinion on the conformity of the Company's annual financial statements to generally accepted accounting principles.

The audit committee has adopted a formal, written charter, which has been approved by the full board and which specifies the scope of the audit committee's responsibilities and how it should carry them out. The complete text of the audit committee charter is available on the Company's website at [www.crowncrafts.com](http://www.crowncrafts.com), and is included as Appendix A to this proxy statement.

The audit committee has reviewed and discussed with the Company's management the audited financial statements of the Company for the fiscal year ended April 1, 2007. The audit committee has discussed with Deloitte & Touche LLP, the Company's independent public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The audit committee has also received the written disclosures and the letter from Deloitte & Touche required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the audit committee has discussed the independence of Deloitte & Touche with that firm.

Based on the aforementioned review and discussions with management and the Company's auditors, and subject to the limitations on the role and responsibilities of the audit committee described above, the audit committee recommended to the board that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2007.

This report has been submitted by the audit committee.

Donald Ratajczak (Chairman)  
 William T. Deyo, Jr.  
 James Verbrugge

**Independent Auditors**

Deloitte & Touche currently serves as the Company's independent accountants and conducted the audit of the Company's consolidated financial statements for fiscal year 2007. The board of directors, upon the recommendation of its audit committee, has ratified the selection of Deloitte & Touche as the Company's independent registered accounting firm for 2008. Appointment of the independent accountants of the Company is not required to be submitted to a vote of the stockholders of the Company for ratification under the laws of Delaware.

Representatives of Deloitte & Touche are expected to be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Principal Accountant Fees and Services**

The following is a summary of the fees billed to the Company by Deloitte & Touche for professional services rendered for the fiscal years ended April 1, 2007 and April 2, 2006:

<b>Fee Category</b>	<b>Fiscal 2007 Fees</b>	<b>Fiscal 2006 Fees</b>
Audit Fees	\$ 134,500	\$ 119,000

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Audit-related Fees	\$	10,400	\$	9,700
Tax Fees	\$	51,925	\$	51,300
All Other Fees	\$	0	\$	0
Total Fees	\$	196,825	\$	180,000

*Audit Fees.* Audit fees consist of fees billed for professional services rendered for the audit of the Company's annual consolidated financial statements and review of the interim consolidated financial statements included in

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quarterly reports and services that are normally provided by Deloitte & Touche in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees.* Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees. These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

*Tax Fees.* Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and custom and duties tax planning.

*All Other Fees.* Other fees consist of fees for products and services other than the services reported above. There were no fees paid to Deloitte & Touche in fiscal 2007 or 2006 that are not included in the above classifications.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

All services provided by Deloitte & Touche are subject to pre-approval by the Company's audit committee. Before granting any approval, the audit committee must receive: (i) a detailed description of the proposed service; (ii) a statement from management as to why they believe Deloitte & Touche is best qualified to perform the service; and (iii) an estimate of the fees to be incurred. Before granting any approval, the audit committee gives due consideration to whether approval of the proposed service will have a detrimental impact on the independence of Deloitte & Touche.

**SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information, based upon publicly-filed documents, regarding the number and percentage of shares of Crown Crafts Series A common stock that are deemed to be beneficially owned under the rules of the SEC, as of the record date, by (i) each director of the Company, (ii) the current executive officers of the Company named in the Summary Compensation Table included elsewhere herein, (iii) all officers and directors as a group, and (iv) all persons known to the Company who may be deemed beneficial owners of more than 5% of the outstanding shares of the Company's Series A common stock. An asterisk indicates beneficial ownership of less than one percent. Unless otherwise specified in the footnotes, the stockholder has sole voting and dispositive power over the shares of Series A common stock beneficially held.

Name	Number of Shares Beneficially Owned(1)	Percentage of Outstanding Shares
Wynnefield Capital, Inc. 450 Seventh Avenue, Suite 509 New York, New York 10123	1,463,335	14.6%
E. Randall Chestnut(2)	781,102	7.8%
Nanci Freeman(3)	269,310	2.7%
Amy V. Samson(4)	171,112	1.7%
Debra Dunne(5)	45,750	*
Steve Guyer(6)	46,128	*



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Donald Ratajczak	33,001	*
William T. Deyo, Jr.	13,001	*
Steven E. Fox(7)	13,001	*
Sidney Kirschner(8)	13,001	*
James A. Verbrugge	13,001	*
Zenon S. Nie	6,001	*
All officers and directors as a group (11 persons)	1,404,408	13.8%

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- (1) The number of shares beneficially owned and the percentage of ownership includes all options to acquire shares of Series A common stock that may be exercised within 60 days of June 15, 2007.
- (2) Includes 746,102 shares of Series A common stock owned individually by Mr. Chestnut and options to purchase 35,000 shares of Series A common stock.
- (3) Includes 208,500 shares of Series A common stock owned individually by Ms. Freeman, 10,250 shares owned by her husband, 60 shares owned by her minor children, options owned by Ms. Freeman to purchase 15,000 shares of Series A common stock and options owned by her husband to purchase 35,500 shares of Series A common stock.
- (4) Includes 163,612 shares of Series A common stock owned individually by Ms. Samson and options to purchase 7,500 shares of Series A common stock.
- (5) Includes 10,250 shares of Series A common stock owned individually by Ms. Dunne and options to purchase 35,500 shares of Series A common stock.
- (6) Includes 10,628 shares of Series A common stock owned individually by Mr. Guyer and options to purchase 35,500 shares of Series A common stock.
- (7) Includes 7,000 shares of Series A common stock owned individually by Mr. Fox and options to purchase 6,001 shares of Series A common stock.
- (8) Includes 9,000 shares of Series A common stock owned individually by Mr. Kirschner and options to purchase 4,001 shares of Series A common stock.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and persons who own more than 10% of the common stock of the Company to file with the SEC initial reports of ownership and reports of changes in ownership of the common stock. They are also required to furnish the Company with copies of all Section 16(a) forms they file with the SEC.

To the Company's knowledge, based solely on its review of the copies of such reports furnished to it and written representations that no other reports were required, during the fiscal year ended April 1, 2007, all of the Company's officers, directors and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements, except that each of Messrs. Fox, Nie and Verbrugge filed a Form 4 late with respect to a transaction in shares of the Company's Series A common stock that had not been previously reported on a timely basis.

**OTHER MATTERS**

The board does not contemplate bringing before the annual meeting any matter other than those specified in the accompanying Notice of Annual Meeting of Stockholders, nor does it have information that other matters will be presented at the annual meeting. If other matters come before the annual meeting, signed proxies will be voted upon such questions in accordance with the best judgment of the persons acting under the proxies.

**ADDITIONAL INFORMATION**

**Where You Can Find More Information**

Crown Crafts is delivering with this proxy statement a copy of its Annual Report on Form 10-K for the year ended April 1, 2007. Crown Crafts files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, statements or other information at the SEC's Public Reference Room at 450 Fifty Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The Company's SEC filings are also available to the public from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

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Upon receipt of a written request, the Company will, without charge, provide any stockholder a copy of the Company's annual report, including financial statements and the footnotes thereto. Copies of exhibits to the annual report are also available upon specific request and payment of a reasonable charge for reproduction. Such requests should be directed to the corporate secretary of Crown Crafts at the following address: Crown Crafts, Inc., P.O. Box 1028, Gonzales, Louisiana 70707, Attn.: Corporate Secretary.

## **Stockholder Proposals**

Under SEC rules, a stockholder who intends to present a proposal, including the nomination of directors, at the Company's 2008 annual meeting of stockholders and who wishes to have the proposal included in the proxy statement for that meeting must submit the proposal to the Company's corporate secretary. The proposal must be received no later than March 13, 2008 and must otherwise comply with applicable SEC rules for inclusion in the Company's 2008 proxy statement.

Stockholders who wish to propose a matter for action at the 2008 annual meeting, including the nomination of directors, but who do not wish to have the proposal included in the proxy statement, must notify Crown Crafts in writing of the information required by the provisions of the Company's bylaws relating to stockholder proposals. Under the Company's bylaws, for proposed business to be considered at such meeting, a stockholder must notify the Company's corporate secretary in writing not less than 90 days in advance of such meeting or, if later, the seventh day following the first public announcement of the date of such meeting, of any proposals.

Stockholder proposals may be submitted to the corporate secretary of Crown Crafts at the following address: Crown Crafts, Inc., P.O. Box 1028, Gonzales, Louisiana 70707, Attn.: Corporate Secretary.

## **Householding of Proxy Materials**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. It is anticipated that a number of brokers with account holders who are stockholders of the Company will be householding the Company's proxy materials. If you receive notice from your broker that it will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker or notify us by sending a written request to Crown Crafts, Inc., P.O. Box 1028, Gonzales, Louisiana 70707, Attn.: Corporate Secretary.

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**Appendix A**

**CROWN CRAFTS, INC.**

**AUDIT COMMITTEE CHARTER**

**Purpose**

The primary purpose of the Audit Committee (the **Committee**) is to (a) assist the Board of Directors (the **Board**) in fulfilling its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the Company's independent auditors' qualifications and independence, and (iv) the performance of the Company's independent auditors; and (b) prepare any reports required by law to be prepared by the Committee, including any reports required to be included in the Company's annual proxy statement and as otherwise required.

**Membership**

The Committee must be composed of at least three (3) members of the Board, one (1) of whom shall be designated as the Chair. Each member of the Committee must possess the necessary skills in finance or accounting as required by the rules and regulations of the Securities and Exchange Commission (the **SEC**) and The NASDAQ Stock Market LLC ( **NASDAQ** ). In addition, at least one (1) member of the Committee shall possess such additional financial experience as required by the rules and regulations of the SEC and NASDAQ.

Each member of the Committee shall qualify as independent under the rules and regulations of the SEC and NASDAQ.

**Meetings and Procedures**

The Committee will meet at least two (2) times each year, with additional meetings held as deemed necessary.

The Committee shall maintain written minutes or other records of its meetings and activities. Minutes of each meeting of the Committee shall be distributed to each member of the Committee. The Secretary of the Company shall retain the original signed minutes for filing with the corporate records of the Company.

The Chair of the Committee shall report to the Board following meetings of the Committee and as otherwise requested by the Board.

**Responsibilities**

The Committee shall carry out its responsibilities through its interactions and discussions with the Company's management and independent auditors, as outlined below. The Committee may also engage independent counsel and other advisors, as it deems necessary.

The Committee shall be the party to whom the independent auditors report and to whom they are ultimately accountable in connection with their audit of the Company's annual financial statements and related services. In this regard, the Committee has sole authority for the appointment, compensation, retention and oversight of the work of the independent auditors and, where appropriate, for replacing the independent auditors. The Committee will review with the independent auditors any audit problems or disagreements between management and the independent auditors regarding accounting, financial reporting and related matters and management's responses to such matters.

The Committee will have full access to the Company's books and records.

As required by applicable laws and rules and regulations of the SEC, the Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, for

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payment of compensation to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

In carrying out its responsibilities, the Committee shall be responsible for the following:

Fostering an environment conducive to open and frank discussion among management, the independent auditors and the Committee members.

Meeting periodically with management and the independent auditors in separate executive sessions to discuss matters which the Committee members or these groups believe should be discussed privately.

Providing feedback at least annually to the independent auditors on their performance.

Discussing at least annually with management and the independent auditors the adequacy and effectiveness of the Company's internal controls over financial reporting, disclosure controls and procedures, the integrity of its financial reporting processes and the adequacy of its risk management programs and policies, including recommendations for any improvements in these areas.

Reviewing with the independent auditors their audit scope and plan with respect to their audit of the Company's annual financial statements and their reviews of the Company's unaudited quarterly financial statements, including any changes thereto.

Before the independent auditors are engaged by the Company or its subsidiaries to render audit or non-audit services, pre-approving the engagement as required by the rules and regulations of the SEC. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the Committee at a subsequent meeting.

Obtaining and reviewing at least annually a report from the independent auditors describing (i) the auditing firm's internal quality control procedures and (ii) any material issues raised by the auditing firm's internal quality control reviews, by peer reviews of the firm or by any governmental or other inquiry or investigation relating to the audit of the Company. The Committee will also review steps taken by the auditing firm to address findings in any of the foregoing reviews.

Reviewing and discussing with management the Company's financial results, including a draft of the earnings press releases, prior to issuing the Company's quarterly and year-end earnings press releases.

Reviewing and discussing with management and the independent auditors all significant matters related to the independent auditors' review of the unaudited balance sheet and statement of operations prior to the issuance by the Company of any quarterly earnings press release.

Prior to the Company's filing its Annual Report on Form 10-K (the Form 10-K), including the Management's Discussion and Analysis of Financial Condition and Results of Operation section, with the SEC:

Reviewing and discussing the Company's audited annual financial statements included in the Form 10-K with management and the independent auditors.

Discussing with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114, as modified or supplemented.

Discussing all relationships between the independent auditors and the Company, as disclosed in the written statement provided by the independent auditors in accordance with the requirements of Independence Standards Board Standard No. 1, as modified or supplemented, which may impact the independence of the independent auditors and taking, or recommending that the Board take, appropriate action, if needed, to oversee the independence of the independent auditors.

Based on the results of the foregoing review and discussions, determining whether to recommend to the Board that such financial statements be included in the Form 10-K for filing with the SEC.

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For the purposes of disclosure in the Company's proxy statement:

Providing a report from the Committee to be included in the Company's proxy statement related to the performance of certain of the Committee's responsibilities, as required by the rules and regulations of the SEC.

Considering, if applicable, whether the independent auditors' provision of any permitted information technology services or other non-audit services to the Company is compatible with maintaining the independence of the independent auditors.

Establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, as required by the rules and regulations of the SEC.

Reviewing with the independent auditors:

The independent auditors' responsibilities under the standards of the Public Company Accounting Oversight Board (PCAOB).

Management judgments and accounting estimates, including the process used by management in formulating particularly sensitive accounting estimates and the basis for the independent auditors' conclusions regarding the reasonableness of those estimates.

Audit adjustments, either individually or in the aggregate, that the independent auditors believe could have a significant effect on the Company's financial reporting and disclosure process.

Uncorrected misstatements and disclosure items passed that were aggregated during the current audit engagement and pertain to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant accounting policies and unusual transactions, including (i) the initial selection of and changes in significant accounting policies or their application, (ii) the methods used to account for significant unusual transactions, and (iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Critical accounting policies and practices.

Alternative treatments within accounting principles generally accepted in the United States of America (GAAP) for accounting policies and practices related to material items that have been discussed with management during the current audit engagement, including (i) ramifications of the use of such alternative disclosures and treatments and (ii) the independent auditors' views as to the preferable treatment.

The independent auditors' judgments about the quality, not just the acceptability, of the Company's accounting policies as applied in its financial reporting and disclosures.

The independent auditors' responsibility for other information in documents containing audited financial statements, any associated procedures performed by the independent auditors and the results thereof.

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the independent auditors' audit report.

The independent auditors' views regarding significant accounting and auditing issues about which management has consulted with other accountants.

Major issues discussed with management prior to the independent auditors' initial selection or retention as auditors.

Significant difficulties encountered in dealing with management related to the performance of the audit.

Material written communications between management and the independent auditors.

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Establishing policies for the hiring of employees or former employees of the independent auditors, as required by the rules and regulations of the SEC.

Reviewing and approving all related-party transactions, as required by the rules and regulations of the SEC.

Reviewing and approving any material off-balance sheet arrangements or other material financial arrangements of the Company that do not appear on the financial statements of the Company.

The Committee shall conduct an annual evaluation of its effectiveness, review and reassess its charter at least annually, and submit any recommended changes to the Board for its consideration.

\* \* \* \* \*

*As amended June 28, 2007.*

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