

CROWN CRAFTS INC  
Form PREC14A  
June 29, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (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 Under § 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:

Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:



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**PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION**

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

July [ ], 2010

Dear Crown Crafts Stockholder:

We cordially invite you to attend our 2010 annual meeting of stockholders to be held on Tuesday, August 10, 2010, 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 and one Class II director and the appointment of the Company's independent auditor, 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 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 BY USING THE ENCLOSED WHITE PROXY CARD. 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.**

Whether or not you attend in person, **it is important** that your shares be represented and voted at the meeting. I urge you to sign, date and return the enclosed **WHITE** proxy card, or vote via telephone or the Internet as directed on the proxy card, at your earliest convenience.

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 10, 2010**

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 our executive offices, located at 916 South Burnside Avenue, Third Floor, Gonzales, Louisiana, on August 10, 2010, 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 one member to the board of directors to hold office for a two-year term;
- (ii) to ratify the appointment of KPMG LLP as our independent auditor for the fiscal year ending April 3, 2011; and
- (iii) 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 11, 2010 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 **WHITE** PROXY CARD 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 US A WRITTEN NOTICE OF REVOCATION OR A DULY EXECUTED **WHITE** PROXY CARD 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 **WHITE**

ENCLOSED PROXY.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE ANNUAL MEETING TO BE HELD ON AUGUST 10, 2010**

**This notice, the attached proxy statement, a form of proxy card and our Annual Report for the fiscal year ended March 28, 2010 are available free of charge at <https://materials.proxyvote.com/228309>.**

**TO OBTAIN DIRECTIONS TO ATTEND THE ANNUAL MEETING AND VOTE IN PERSON, PLEASE CONTACT OUR CORPORATE SECRETARY AT (225) 647-9100.**

By Order of the Board of Directors,

Amy Vidrine Samson  
Vice President, Chief Accounting Officer and  
Secretary

Gonzales, Louisiana  
July [ ], 2010

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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 10, 2010**

**PROXY SOLICITATION**

This proxy statement and the accompanying form of proxy (which were first sent or given to stockholders on or about July [ ], 2010) are furnished to stockholders of Crown Crafts, Inc. ( Crown Crafts or the Company ) 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 10, 2010, 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 one member to the board of directors to hold office for a two-year term;
- (ii) to ratify the appointment of KPMG LLP as the independent auditor of the Company for the fiscal year ending April 3, 2011; and
- (iii) 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 OF DIRECTORS URGES STOCKHOLDERS TO VOTE FOR THE ELECTION OF THE BOARD'S NOMINEES NAMED IN THIS PROXY STATEMENT.**

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

**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 11, 2010, are entitled to notice of and to vote at the annual meeting. As of the record date, there were 9,254,986 shares of Crown Crafts Series A common stock outstanding and entitled to vote at the annual meeting, held by approximately 310 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.

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### **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, meaning that the three Class I nominees receiving the most votes will be elected as Class I directors and the Class II nominee receiving the most votes will be elected as a Class II director. The affirmative vote of the holders of a majority of the shares of the Company's Series A common stock present or represented by proxy at the annual meeting is required to ratify the appointment of KPMG LLP. 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 905,287 shares of Crown Crafts Series A common stock, or approximately 9.8% of the outstanding shares of Crown Crafts Series A common stock on that date. This amount excludes approximately 27,497 shares of the Crown Crafts 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 on the enclosed **WHITE** proxy card 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 **WHITE** 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 **WHITE** proxy card or voting instruction, the shares will be voted for the election of all of the director nominees and for the ratification of the appointment of the Company's independent auditor. 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.

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 **WHITE** 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 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

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Management, LLC, Wynnefield Capital, Inc., Channel Partnership II, L.P., Wynnefield Capital, Inc. Profit Sharing & Money Purchase Plan, 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 annual meeting. As reported in a Schedule 13D report of beneficial ownership filed with the Securities and Exchange Commission (the SEC ) by Wynnefield on June 28, 2010, Wynnefield intends to nominate Melvin L. Keating and Jon C. Biro for election to the Company s board of directors at the annual meeting.

Pursuant to a Governance and Standstill Agreement dated July 1, 2008 entered into by the Company and Wynnefield (the 2008 Wynnefield Agreement ), Wynnefield agreed to cease efforts related to the proxy solicitation it was pursuing at that time, which was described in Wynnefield s Schedule 13D filed with the SEC on June 30, 2008. In connection therewith, Crown Crafts appointed Joseph Kling as a director and agreed that Mr. Kling would be nominated for re-election as a director at the Company s 2008 annual meeting of stockholders. Among other things, the Company also agreed to use its reasonable best efforts, upon the request of Wynnefield delivered to the Company on or before May 1, 2010, to obtain the resignation from the board of one director chosen by the Company other than Mr. Kling or a Class I director of the Company. Wynnefield delivered this request to the Company on April 30, 2010, and Sidney Kirschner, formerly a Class II director of the Company, resigned effective May 27, 2010 in accordance with Wynnefield s request.

Prior to entering into the 2008 Wynnefield Agreement, the Company and Wynnefield were parties to an agreement dated November 4, 2005 pursuant to which Frederick G. 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 that agreement on June 28, 2007 in connection with the proxy solicitation conducted by Wynnefield in connection with the Company s 2007 annual meeting of stockholders.

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 **WHITE** 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**

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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

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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 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 may be increased to as much as \$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, e-mail or facsimile transmission or other means without additional compensation. 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 Amy Vidrine Samson at (225) 647-9122 or write to Ms. Samson at the following address: P.O. Box 1028, Gonzales, Louisiana 70707.

## **CORPORATE GOVERNANCE**

Our board of directors is committed to maintaining sound and effective corporate governance principles and believes that strong corporate governance is critical to achieving our performance goals and to maintaining the trust and confidence of stockholders, employees, suppliers, customers and regulatory agencies. The board regularly reviews the Company's corporate governance practices in light of proposed and adopted laws and regulations, the practices of other leading companies, the recommendations of various corporate governance authorities and the expectations of our stockholders.

## **Board of Directors**

The board of directors 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 officers of the Company.

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### **Director Independence**

Each non-employee member of the board is independent, as defined for purposes of the rules of the SEC and the listing standards of The Nasdaq Stock Market LLC ( 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.

### **Code of Business Conduct and Ethics; Code of Conduct for Directors**

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). In addition, the Company has also adopted a Code of Conduct for Directors, which is also posted on the Company's website at [www.crowncrafts.com](http://www.crowncrafts.com).

### **Board Committees and Meetings**

During fiscal year 2010, the Company's board of directors had the following standing committees: audit committee; compensation committee; nominating and corporate governance committee; and capital committee. Committee membership and the responsibilities assigned by the board of directors to each of these committees are briefly described below.

The board of directors met seven times during fiscal year 2010. Each director attended 100% of the total number of meetings of the board and committees of which he was a member during fiscal year 2010. Seven directors attended the Company's annual meeting held in 2009, and all members of the board have been requested to attend the 2010 annual meeting. Although the Company has no formal policy with respect to board members' attendance at the Company's annual meeting of stockholders, it is customary for all board members to attend.

#### ***Audit Committee***

The audit committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and 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), William T. Deyo, Jr. and Joseph Kling. The committee has adopted a formal, written charter, which has been approved by the full board and which specifies the scope of the 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).

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. The audit committee met six times during fiscal year 2010, including five meetings at which executive sessions were held with the Company's independent auditor. In addition, the chairman of the audit committee met separately with the Company's independent auditor once during that same period.

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### ***Compensation Committee***

The compensation committee is currently comprised of three directors, Zenon S. Nie (Chairman), Joseph Kling and Frederick G. Wasserman, 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. Prior to his resignation from the board in May 2010, Sidney Kirschner served as a member of the compensation committee, and following Mr. Kirschner's resignation, Mr. Kling was appointed to the committee. The committee has adopted a formal, written charter, which has been approved by the full board and which specifies the scope of the committee's responsibilities and how it should carry them out. The complete text of the compensation committee charter is available on the Company's website at [www.crowncrafts.com](http://www.crowncrafts.com). 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. The compensation committee met twice during fiscal year 2010.

### ***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee is currently comprised of three directors, Zenon S. Nie (Chairman), William T. Deyo, Jr. and Donald Ratajczak, 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 nominating and corporate governance committee's duties. The committee has adopted a formal, written charter, which has been approved by the full board and which specifies the scope of the committee's responsibilities and how it should carry them out. The complete text of the nominating and corporate governance committee charter is available on the Company's website at [www.crowncrafts.com](http://www.crowncrafts.com). The nominating and corporate governance committee met five times during fiscal year 2010.

The nominating and corporate governance committee has the general responsibility for overseeing the Company's corporate governance practices and for identifying, reviewing and recommending to the board individuals to be nominated for election to the board. The committee will 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.

### ***Capital Committee***

The capital committee is currently comprised of three directors, William T. Deyo, Jr. (Chairman), Zenon S. Nie and Frederick G. Wasserman, 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 capital committee's duties. The capital committee is responsible for overseeing and making recommendations with respect to certain capital market transactions, including stock repurchases and dividend payments. The capital committee met twice during fiscal year 2010.

### **Identifying and Evaluating Nominees**

With respect to the nomination process, the nominating and corporate governance committee reviews the composition and size of the board to insure that it has the proper expertise and independence; determines the criteria for the

selection of board members and board committee members; establishes criteria for qualifications as independent directors, consistent with applicable laws and listing standards; maintains a file of suitable candidates for consideration as nominees to the board; reviews board candidates recommended by stockholders in compliance with all director nomination procedures for stockholders; and recommends to the board the slate of nominees of directors to be elected by the stockholders and any directors to be elected by the board to fill vacancies.

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The nominating and corporate governance committee will evaluate candidates for election to the board based on their financial literacy, business acumen and experience, independence, and willingness, ability and availability for service. This may include consideration of factors such as the following:

whether the potential nominee has leadership, strategic or policy-setting experience in a complex organization, including not only a corporate organization but also any governmental, educational or other non-profit organization;

whether the potential nominee has experience and expertise that is relevant to the Company's business, including any specialized business experience, technical expertise or industry expertise, and whether the potential nominee has knowledge regarding issues affecting the Company;

whether the potential nominee is highly accomplished in his or her respective field;

whether the potential nominee has high ethical character and a reputation for honesty, integrity and sound business judgment;

whether the potential nominee is free of any conflict of interest or the appearance of any conflict of interest and whether he or she is willing and able to represent the interests of all stockholders;

any factor affecting the ability or willingness of the potential nominee to devote sufficient time to the board's activities and to enhance his or her understanding of the Company's business; and

how the potential nominee would contribute to diversity, with a view toward the needs of the board of directors as a whole.

Additionally, with respect to an incumbent director whom the nominating and corporate governance committee is considering as a potential nominee for re-election, the committee will review and consider the incumbent director's service during his or her term, including the number of meetings attended, level of participation and overall contribution to the Company. The manner in which the committee evaluates a potential nominee will not differ based on whether the potential nominee is recommended by a stockholder.

The nominating and corporate governance committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees, although the committee and the board are committed to a diversified membership. When identifying and recommending director nominees, the members of the committee generally view diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint and perspective, professional experience, education, skill and other qualities or attributes that together contribute to the functioning of the board.

## **Board Leadership Structure**

The board of directors believes that having a single leader serving as chairman and chief executive officer, together with an experienced and engaged lead director, is the most appropriate leadership structure for the board at this time.

Combining the roles of chairman and chief executive officer makes clear that the person serving in these roles has primary responsibility for managing the Company's business, subject to the oversight and review of the board. Under this structure, the chairman and chief executive officer chairs board meetings, where the board discusses strategic and business issues. The board believes that this approach is preferable because the chief executive officer is the individual with primary responsibility for implementing the Company's strategy, directing the work of other officers and leading

implementation of the Company's strategic plans as approved by the board. This structure creates a single leader who is directly accountable to the board and, through the board, to stockholders, and enables the chief executive officer to act as the key link between the board and other members of management. In addition, Mr. Chestnut personally brings to the combined role of chairman and chief executive officer a long history with Crown Crafts.

Because the board also believes that strong, independent board leadership is a critical aspect of effective corporate governance, the board has established the position of lead director. The lead director, who must be independent, is elected by the independent directors. The lead director presides over executive sessions of the

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independent directors, consults with the chairman of the board, oversees the flow of information to the board and acts as liaison between the non-employee directors and management. As the primary interface between the chief executive officer and the board, the lead director provides a valuable counterweight to the combined chairman and chief executive officer role. The lead director also serves as a focal point for the independent directors, thereby enhancing and clarifying the board's independence from management. Zenon S. Nie currently serves as the lead director.

## **Role in Risk Oversight**

As noted above, the Company's business and affairs are managed under the direction of its board of directors. This includes the board's overseeing the types and amounts of risks undertaken by the Company. In discharging its oversight responsibilities, the board relies on a combination of the business experience of members of the board and the expertise and business experience of the Company's officers and employees, as well as, from time to time, advice of various consultants and experts. An appropriate balancing of risks and potential rewards with the long-term goals of the Company is, and historically has been, implicit in the decisions and policies of the board. Because risk oversight is so thoroughly interwoven into the direction of the board, no special provision has been made for that oversight in the board's leadership structure, except in connection with the role of the audit committee, which has responsibility for overseeing the Company's risk management programs and policies.

The audit committee focuses on financial reporting risk, oversees the entire audit function and evaluates the effectiveness of internal and external audit efforts. It receives reports from management regularly regarding the Company's assessment of risks and the adequacy and effectiveness of internal control systems. The audit committee reports regularly to the full board and is required by its charter to discuss at least annually with management and the Company's independent auditor the adequacy of the Company's risk management programs and policies, including any recommendations the committee may have for improvements in those areas.

## **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.

Crown Crafts Infant Products, Inc., a wholly-owned subsidiary of the Company ( CCIP ), employs Gary Freeman, who is the spouse of Nanci Freeman, the President and Chief Executive Officer of CCIP. Mr. Freeman serves as Vice President Warehousing and Distribution of CCIP. Mr. Freeman's base salary as of the end of fiscal year 2010 was \$143,964, and he earned a bonus for fiscal year 2010 in the amount of \$8,423. The compensation paid to Mr. Freeman is commensurate with that of his peers.

## **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.





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The Company has a classified board currently consisting of three Class I directors (E. Randall Chestnut, William T. Deyo, Jr. and Frederick G. Wasserman), one Class II director (Zenon S. Nie) and two Class III directors (Donald Ratajczak and Joseph Kling). 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 2010 annual meeting, and the Class III and Class II directors currently serve until the annual meetings of stockholders to be held in 2011 and 2012, respectively.

Pursuant to the Company's bylaws, the board of directors has fixed its membership at seven directors. Currently, there is one vacancy on the Company's board of directors, which resulted from the resignation on May 27, 2010 of Sidney Kirschner, formerly a Class II director. Mr. Kirschner's resignation was in response to a request from Wynnefield delivered pursuant to the 2008 Wynnefield Agreement that a sitting director who would not otherwise be up for re-election at the Company's 2010 annual meeting of stockholders resign in advance of such meeting. See Voting Information Possible Proxy Contest .

At the 2010 annual meeting, three Class I directors will be elected to hold office until the 2013 annual meeting of stockholders and one Class II director will be elected to hold office until the 2012 annual meeting of stockholders. The board of directors has nominated E. Randall Chestnut, William T. Deyo, Jr. and Richard L. Solar as Class I nominees for election to the board of directors and Sidney Kirschner as the sole Class II nominee for election to the board of directors. As discussed above, Messrs. Chestnut and Deyo presently serve on the Company's board, and Mr. Kirschner formerly served on the Company's board.

The proxy holder intends to vote for the election of the named nominees unless you have specifically indicated by proper proxy on the **WHITE** proxy card 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.

**Recommendation of the Board of Directors**

The board of directors unanimously recommends a vote **FOR** each of the Class I and Class II nominees discussed below. Proxies will be voted **FOR** the election of these nominees unless otherwise specified.

**Class I Nominees**

The following persons are the nominees for Class I directorships with terms ending in 2013.

<b>Name</b>	<b>Age</b>	<b>Director Service</b>
E. Randall Chestnut	62	1995 present
William T. Deyo, Jr.	65	2001 present
Richard L. Solar	70	

*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 the former 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.

*Richard L. Solar* served as a director of Marvel Entertainment, Inc. from December 2002 to December 2009 when the company was sold to Walt Disney Co. During that time, he also served as Chairman of that board's Audit

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Committee. Since February 2003, Mr. Solar has been a management consultant and investor. From June 2002 to February 2003, Mr. Solar acted as a consultant for Gerber Childrenswear, Inc., a marketer of popular-priced licensed apparel sold under the Gerber name, as well as under licenses from Baby Looney Tunes, Wilson, Converse and Coca-Cola. From 1996 to June 2002 (when Gerber Childrenswear was acquired by the Kellwood Company), Mr. Solar was Senior Vice President, Director and Chief Financial Officer of Gerber Childrenswear. Mr. Solar is also Vice President, Treasurer and a director (and Chairman of the Executive Committee) of Barrington Stage Company, Inc., which produces plays, develops experimental musicals and provides a program for at-risk high school students in the Berkshires.

**Class II Nominee**

The following person is the sole nominee for a Class II directorship with a term ending in 2012.

Name	Age	Director Service
Sidney Kirschner	75	2001 2010

*Sidney Kirschner* is currently a consultant and serves as Head of School at the Alfred & Adele Davis Academy. He previously served as a director of the Company from July 2001 to May 2010, when he resigned from the board (See Voting Information Possible Proxy Contest ). Mr. Kirschner previously served as Chairman of the Board, President and Chief Executive Officer of Northside Hospital, Atlanta, Georgia, from 1992 to 2004. From 1987 to 1992, he served as Chairman of the Board, Chief Executive Officer and President of National Service Industries, Inc., formerly a Fortune 500 company listed on the New York Stock Exchange. Mr. Kirschner has served on the board of directors of numerous community organizations. He is a member of the Board of Directors of Superior Uniform Group, Inc., Cleveland Group, Inc, Zyvax Corporation and Beaulieu Group, LLC.

**Continuing Directors**

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

Director	Age	Director Service	Expiration of Current Term
<b>Class II</b>			
Zenon S. Nie	59	2001 present	2012
<b>Class III</b>			
Joseph Kling	80	2008 present	2011
Donald Ratajczak	67	2001 present	2011

*Zenon S. Nie* is Chairman of the Board, President and Chief Executive Officer of the CEO Advisory Board LLC, 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.

*Joseph Kling* is currently, and has been since 1989, a consultant to various companies in the toy industry and the infant and juvenile apparel industries, providing consulting and advisory services to companies in connection with

mergers and acquisitions, as well as acquisitions of intellectual property licenses and rights. Since April 1991, Mr.&#1