

CROWN CRAFTS INC  
Form DFAN14A  
July 23, 2010

**SCHEDULE 14A**

**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant:   
Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**CROWN CRAFTS, INC.**

(Name of Registrant as Specified in its Charter)

**WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P.**

**WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P. I**

**WYNNEFIELD SMALL CAP VALUE OFFSHORE FUND, LTD.**

**WYNNEFIELD CAPITAL MANAGEMENT, LLC**

**WYNNEFIELD CAPITAL, INC.**

**CHANNEL PARTNERSHIP II, L.P.**

**WYNNEFIELD CAPITAL, INC. PROFIT SHARING & MONEY PURCHASE PLAN**

**NELSON OBUS**

**JOSHUA H. LANDES**

**JON C. BIRO**

**MELVIN L. KEATING**

(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):

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- (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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**The Wynnefield Group  
Investor Presentation**

**Regarding Crown Crafts, Inc.  
(Nasdaq: CRWS)**

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I.

Who is the Wynnefield Group?

II.

Change Needed to Create Stockholder Value

A.

Background of Election Contest

B.

Wynnefield Warned About This in 2007

C.

Years of Underperformance and Entrenchment

D.

Board has No Articulated Strategic Plan; Product Line  
Extension Does Not Qualify

III.

Deficiencies of the Current Management-Endorsed  
Board Majority

A.

Misaligned Interests Lead to Pursuit of *Status Quo*

B.

Current Board Not Acting in Stockholders' Best Interests;  
Reinstated Poison Pill Without Stockholder Approval

IV.

Wynnefield's Nominees

A.

Expertise to Address Company's Challenges

B.

Focus on Increasing Value for All Stockholders

Overview

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Value investor in small & micro-cap stocks

Largest stockholder of Crown Crafts

Currently own about 17% of outstanding stock

Long-term investor

Invested in Crown Crafts since 1996 and have increased holdings at a variety of price points to protect ownership during this period

Who Is The Wynnefield Group?

Background of Election Contest

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CRWS Unfulfilled 2007 Promises: Share Price

Pointing to share price of \$4.65, Crown Crafts wrote: In many respects, fiscal year 2007 marked the successful completion of our efforts that began in 2001 to turn the Company around and reestablish a solid foundation for growth and success [Letter to stockholders, 7/24/07]

Fact: CRWS stock has never again achieved that level down more than 16% since then (as of July 20, 2010).

CRWS Unfulfilled 2007 Promise: Creating Value

Describing a company more nimble and poised for growth, it promised strategic acquisitions that will build long-term stockholder value and enhancing stockholder value through achieving organic growth, among other objectives. [Letter to stockholders, 7/16/07]

Fact: Over the past three years, CRWS has instead completed three small tuck-in acquisitions while revenue and operating income remain flat.

Fact: CRWS net sales decreased by \$1.3 million (1.5%) in FY 2010, despite the Company's assertions in its earnings release that it was a banner year.



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Years of Underperformance and Entrenchment

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**Source:** Bloomberg as of July 21, 2010

\* TTM = Trailing Twelve Months

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Years of Underperformance and Entrenchment

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Years of Underperformance and Entrenchment

\*Pure Play - Infant and Juvenile Industry Company

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Years of Underperformance and Entrenchment

\* As of 12/23/08, KID became a Pure Play Peer after divestiture of giftware business

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Years of Underperformance and Entrenchment

\*Excludes KID, which did not become a Pure Play Peer until divestiture of giftware business on 12/23/08

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Strategic Review Committee Never Publicly Disclosed  
Findings or Even that it had Deliberations

Only After Wynnefield's 2010 Proxy Announcement Did  
Board Proclaim Adoption of Strategic Plan

This is first stockholders have heard of this

Still, nothing else disclosed about plan

Only thing known about plan if there even is one is  
that it has failed to create stockholder value

This recent announcement is only a product line  
extension

The Company's Micro-Acquisitions Merely Mask  
Declining Core Business to Maintain *Status Quo*

No Stockholder Value Created by the Board or  
Management's Actions in Recent Times

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Board Has No Articulated Strategic Plan

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**Lavish Board and Management Pay Incentivize *Status Quo* Rather Than Creating Stockholder Value**

Management:

Board-approved lavish executive compensation and severance packages significant amounts of cash; little long-term equity compensation despite policy statement to the contrary

Board-approved golden parachute payments and tax gross-ups that could cost more than \$5 million exceeding CRWS annual net income

Board-approved incentive plan rewards management with approximately 3.7% of Company if over five years they match the EBITDA multiple at which peers are currently trading, a handsome reward for average performance

Board:

Over past three years, total Board compensation was over \$1.3 million while market value declined by \$10.6 million (-22%)

In 2008, Board retainers doubled while operating income remained flat

In 2009, one director's total compensation was \$104,126

Majority of Board retainer paid in cash

Current non-employee directors hold only 2% of outstanding voting stock

Board Not Acting in Stockholders' Best Interests

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**Jon C. Biro**

Executive Officer

CFO Consolidated Graphics, Inc.

CFO, Interim CEO ICO, Inc.

Corporate Director

Aspect Medical Systems Inc.

ICO, Inc.

Public Accounting & Finance

Certified Public Accountant (CPA)

Price Waterhouse LLP

\*Current

**Melvin L. Keating**

Executive Officer

CEO Alliance Semiconductor  
Corp.

CEO Sunbelt Management

EVP, CFO & Treasurer  
Quovadx Inc.

Corporate Director

Bitstream Inc.\*

Infologix, Inc.\*

Red Lion Hotels, Corp.\*

Aspect Medical Systems Inc.

Integrated Silicon Solutions Inc.

Plymouth Rubber Co.

Price Legacy Corp.

White Electronic Designs Corp.

Strategic Consultant

Warburg Pincus Equity Partners

BTI Systems, Inc.

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Wynnefield Nominees Expertise

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Our Nominees are committed to working constructively with Board to create stockholder value and address significant corporate governance deficiencies

### **Strategic Plan**

Form standing Strategic Review Committee

Hire qualified independent consultant to help determine future path

Communicate to stockholders nature and extent of review

Cause Company to participate in investor or industry conferences

### **Corporate Governance**

Eliminate staggered Board

Adopt real CEO succession plan

Terminate poison pill

Link executive compensation to Company performance

Split Chairman/CEO roles

Amend non-employee director compensation; our Nominees will only take 50% of cash compensation or donate balance to American SIDS Institute

Modify change-in-control agreements