

CROWN CRAFTS INC  
Form DEFA14A  
July 22, 2010

**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**

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:

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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.

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

(3) Filing Party:

(4) Date Filed:



**AN IMPORTANT MESSAGE FROM YOUR BOARD OF DIRECTORS**

July 22, 2010

Dear Fellow Crown Crafts Shareholders:

We take shareholder concerns very seriously and have consistently made shareholder engagement a priority through open communications. In particular, we have tried our best to reach out to, and have a regular dialogue with, Wynnefield Partners Small Cap Value, L.P. and certain of its affiliates (the Wynnefield Group), who have chosen to engage the Company in yet another costly proxy battle. We have acted prudently on the Wynnefield Group's input when we believed it to be constructive and in the best interest of all our shareholders. In many cases, however, the Wynnefield Group has acted more as an antagonistic investor with capricious and self-serving demands. Consider the following chronology and see if you agree with our view that the Wynnefield Group can never be satisfied.

**2004:** At the request of the Wynnefield Group, which is Crown Crafts' largest shareholder, the Company hired an investment banker to evaluate the repurchase of warrants held by the Company's lenders. The investment bankers proposed that the Company repurchase the warrants for more than \$4.5 million, including investment banker fees. The Wynnefield Group supported the repurchase at that price. Luckily for the Company's shareholders, the Company's lenders rejected the offer at that time. **Ultimately, the Company, without hiring an investment banker or paying anything to repurchase the warrants, completed a debt and capital restructuring in 2006. This restructuring not only eliminated all the outstanding warrants held by the lenders, thus saving shareholders more than \$4.5 million compared with the bankers' prior proposal, but also resulted in the lenders forgiving \$4 million of the Company's debt.** This, however, was not enough to appease the Wynnefield Group.

**2005:** Your Board agreed to allow Frederick Wasserman, who was handpicked by the Wynnefield Group, to participate in all Board meetings as a non-voting observer. The Board welcomed the opportunity to hear an additional independent viewpoint and provide greater insight about the business to a representative of a key shareholder. This was still not enough for the Wynnefield Group.

**2007:** The Wynnefield Group launched its first proxy contest against Crown Crafts by nominating Mr. Wasserman and Nelson Obus, a principal of the Wynnefield Group who had been named a month earlier as a defendant in an enforcement proceeding brought by the Securities and Exchange Commission that is still pending in federal court in New York. After the Company received notice of these nominations, the Board terminated Mr. Wasserman's status as a non-voting observer. At the annual meeting, our shareholders elected Mr. Wasserman but defeated Mr. Obus. Also in 2007, at the urging of the Wynnefield Group, the Board authorized a stock repurchase program under which the Company repurchased 914,051 shares of stock from August 2007 to August 2009 for a total price of \$3.1 million (average price of \$3.40 per share). All of this was still not enough for the Wynnefield Group.

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**2008:** Faced with the Wynnefield Group's threats of another proxy fight in 2008, your Board agreed to appoint Joseph Kling as a director and support his election at the 2008 annual meeting of shareholders in exchange for a two-year standstill agreement with the Wynnefield Group. James Verbrugge, a director since 2001, agreed to resign from the Board at that time to make space for Mr. Kling. With two handpicked members on the seven-member Board, **this gave the Wynnefield Group 29% representation on the Board, even though it then held less than 16% of the common shares of the Company.** At the same time, the Company formed a Strategic Review Committee, which included Mr. Wasserman as a member, to consider all strategic options available to the Company to enhance shareholder value. Even this was not enough for the Wynnefield Group.

**2010:** With Mr. Wasserman's term and the standstill agreement expiring, the Wynnefield Group has now initiated yet another costly and distracting proxy contest naming two candidates who we believe are less qualified to represent Crown Crafts than your Board-supported nominees. Curiously, **the Wynnefield Group chose not to re-nominate Mr. Wasserman** who voted with the majority of the Board more than 92% of the time during his three-year term. Further, **the Wynnefield Group also suggested that Mr. Kling step down from the Board** after he has voted with the majority more than 94% of the time since his election and that the Board elect a different handpicked representative of the Wynnefield Group to serve as a director in his place. Did the Wynnefield Group make this suggestion because Mr. Kling supports our agenda, our strategic plan and our nominees, not theirs? **What does the Wynnefield Group truly want from the Company?**

In its July 19, 2010 communication to Crown Crafts shareholders, the Wynnefield Group declares, "...we have had enough. But we are the ones who have had enough. We believe that the Wynnefield Group will **never** have enough until its own ever-changing, narrow, self-serving and short-sighted agenda is completed.

**YOUR BOARD REFUSES TO BE INTIMIDATED AND WILL CONTINUE PURSUING ITS STRATEGY TO CREATE LONG-TERM VALUE IN THE BEST INTERESTS OF ALL SHAREHOLDERS**

Following a thorough evaluation of all alternatives by the Strategic Review Committee, your Board unanimously approved the Company's current strategic growth plan and concluded that it is the best alternative available to the Company to create long-term value for all our shareholders. **Our strategy is generating results we have delivered strong cash flow and adjusted EBITDA and raised shareholders equity by 23% in fiscal 2010.** Your Board also has instituted payment of a quarterly dividend which, at its current level, is enough by itself to provide the Wynnefield Group with an attractive 8.9% annual return on their investment. With an enviable balance sheet and the three accretive acquisitions we have completed within the past three years, your Company is well-positioned to continue its successful strategic trajectory of long-term profitable growth.

**YOUR BOARD-SUPPORTED NOMINEES E. RANDALL CHESTNUT, WILLIAM T. DEYO, JR., SIDNEY KIRSCHNER AND RICHARD L. SOLAR ARE HIGHLY QUALIFIED STEWARDS OF YOUR INVESTMENT AND ARE FULLY COMMITTED TO DILIGENTLY PURSUING OUR SUCCESSFUL GROWTH STRATEGY AND ACTING IN THE BEST LONG-TERM INTERESTS OF ALL SHAREHOLDERS**

Your Board firmly believes that the best path to maximize value for all shareholders is the continued execution of our strategic plan. This is not the time to disrupt our operations or distract our employees with concerns about the Company's direction. This is the time to grow our Company with the leadership of an experienced Board and management team.

Your vote is very important to us, no matter the size of your holdings. We urge you to vote your shares today by signing, dating and returning the enclosed **WHITE** proxy card by mailing it in the enclosed pre-addressed, stamped envelope. You can also vote by internet or telephone by following the instructions on the **WHITE** proxy card. **Please do not sign or return any gold proxy card sent to you by the Wynnefield Group as a reminder,**

**you cannot vote the gold proxy card and also vote for our Chief Executive Officer, E. Randall Chestnut, or any other Class I nominee.** If you have any questions or need any assistance voting your shares, do not hesitate to contact Georgeson, who is assisting us in this matter, toll free at 1-888-605-7561.

On behalf the Board of Directors and the dedicated men and women of Crown Crafts, we thank you for your ongoing support.

Sincerely,

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

Zenon S. Nie  
Independent Lead Director

**YOUR VOTE IS IMPORTANT**

1. To vote **FOR** your Company's nominees, you **MUST** execute a **WHITE** proxy card.
2. The Board of Directors urges you to **DISCARD** any gold proxy cards that you may have received from the Wynnefield Group. A **WITHHOLD AUTHORITY** vote on the Wynnefield Group's gold proxy card is **NOT** a vote for the Company's nominees.
3. If you have voted on a gold proxy card but wish to support your Company's nominees, please sign, date and mail the enclosed **WHITE** proxy card in the postage-paid envelope provided as soon as possible. You can also vote by internet or telephone by following the instructions on the **WHITE** proxy card.
4. Remember **ONLY YOUR LATEST DATED PROXY WILL DETERMINE HOW YOUR SHARES ARE TO BE VOTED AT THE MEETING.**
5. If any of your shares are held in the name of a bank, broker or other nominee, please contact the party responsible for your account and direct them to vote your shares **FOR** your Company's nominees on the **WHITE** proxy card.

If you have any questions or need assistance in voting your shares,  
please contact our proxy solicitor.

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Shareholders Call Toll Free (888) 605-7561