

CROWN CRAFTS INC

Form 10-K

June 12, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended March 29, 2015

OR

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

Commission File No. 1-7604

Crown Crafts, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

58-0678148
(I.R.S. Employer Identification No.)

916 S. Burnside Ave.
Gonzales, Louisiana
(Address of principal executive offices) **70737**
(Zip Code)

Registrant's Telephone Number, including area code: (225) 647-9100

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of class</u>	<u>Name of exchange on which registered</u>
Common Stock, \$0.01 par value	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The approximate aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 26, 2014 (the last business day of the Company’s most recently completed second fiscal quarter) was \$53.9 million.

As of June 1, 2015, 10,077,906 shares of the Company’s common stock were outstanding.

Documents Incorporated by Reference:

Portions of the registrant’s Proxy Statement for its 2015 Annual Meeting of Stockholders are incorporated into Part III hereof by reference.

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business.	3
Item 1A. Risk Factors.	6
Item 2. Properties.	9
Item 3. Legal Proceedings.	9
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	9
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	10

Item 8. Financial Statements and Supplementary Data.	14
Item 9A. Controls and Procedures.	15

PART III

Item 10. Directors, Executive Officers and Corporate Governance.	15
Item 11. Executive Compensation.	15
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	15
Item 13. Certain Relationships and Related Transactions, and Director Independence.	16
Item 14. Principal Accountant Fees and Services.	16

PART IV

Item 15. Exhibits and Financial Statement Schedules.	16
--	----

Cautionary Notice Regarding Forward-Looking Statements

Certain of the statements made herein under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere, including information incorporated herein by reference to other documents, are “forward-looking statements” within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control and which may cause the actual results, performance or achievements of Crown Crafts, Inc. to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as “may,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” “plan,” “point to,” “project,” “predict,” “could,” “potential” and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation, those described in Part I, Item 1A. “Risk Factors,” and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission (the “SEC”) under the Exchange Act.

All written or oral forward-looking statements that are made by or are attributable to us are expressly qualified in their entirety by this cautionary notice. Our forward-looking statements apply only as of the date of this report or the respective date of the document from which they are incorporated herein by reference. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. *Business*

Description of Business

Crown Crafts, Inc. (the “Company”) operates indirectly through its wholly-owned subsidiaries, Crown Crafts Infant Products, Inc. (“CCIP”) and Hamco, Inc. (“Hamco”), in the infant and toddler products segment within the consumer products industry. The infant and toddler segment consists of infant and toddler bedding and blankets, bibs, soft bath products, disposable products and accessories. Sales of the Company’s products are generally made directly to retailers, which are primarily mass merchants, mid-tier retailers, juvenile specialty stores, value channel stores, grocery and drug stores, restaurants, internet accounts and wholesale clubs. The Company’s products are manufactured primarily in Asia and marketed under a variety of Company-owned trademarks, under trademarks licensed from others and as private label goods.

The Company's fiscal year ends on the Sunday nearest to or on March 31. References herein to “fiscal year 2015” or “2015” and “fiscal year 2014” or “2014” represent the 52-week periods ended March 29, 2015 and March 30, 2014, respectively.

Products

The Company's primary focus is on infant, toddler and juvenile products, including the following:

- crib and toddler bedding
- blankets
- nursery and toddler accessories
- room décor
- reusable and disposable bibs
- burp cloths
- hooded bath towels and washcloths
- disposable placemats, cup labels, toilet seat covers and changing mats
- reusable and disposable floor mats
- other infant, toddler and juvenile soft goods

Government Regulation and Environmental Control

The Company is subject to various federal, state and local environmental laws and regulations, which regulate, among other things, product safety and the discharge, storage, handling and disposal of a variety of substances and wastes, and to laws and regulations relating to employee safety and health, principally the Occupational Safety and Health Administration Act and regulations thereunder. The Company believes that it currently complies in all material respects with applicable environmental, health and safety laws and regulations and that future compliance with such existing laws or regulations will not have a material adverse effect on its capital expenditures, earnings or competitive position. However, there is no assurance that such requirements will not become more stringent in the future or that the Company will not have to incur significant costs to comply with such requirements.

Sales and Marketing

The Company's products are marketed through a national sales force consisting of salaried sales executives and employees located in Compton, California; Gonzales, Louisiana; and Bentonville, Arkansas. Products are also marketed by independent commissioned sales representatives located throughout the United States. Sales outside the United States are made primarily through distributors. Substantially all products are sold to retailers for resale to consumers. The Company's subsidiaries introduce new products throughout the year and participate at the ABC Kids Expo.

Product Sourcing

The Company's products are produced by foreign and domestic manufacturers, with the largest concentration being in China. The Company makes sourcing decisions on the basis of quality, timeliness of delivery and price, including the impact of ocean freight and duties. Although the Company maintains relationships with a limited number of suppliers, the Company believes that its products may be readily manufactured by several alternative sources in quantities sufficient to meet the Company's requirements. The Company's management and quality assurance personnel visit the third-party facilities regularly to monitor and audit product quality and to ensure compliance with labor requirements and social and environmental standards. In addition, the Company closely monitors the currency exchange rate. The impact of future fluctuations in the exchange rate or changes in safeguards cannot be predicted with certainty at this time.

The Company maintains a foreign representative office located in Shanghai, China, which is responsible for the coordination of production, purchases and shipments, seeking out new vendors and overseeing inspections for social compliance and quality.

The Company's products are warehoused and distributed from a facility located in Compton, California. The Company also utilizes third-party warehouses as needed to supplement the warehousing capacity at its Compton distribution facility.

Product Design and Styling

The Company believes that its creative team is one of its key strengths. The Company's product designs are primarily created internally and are supplemented by numerous additional sources, including independent artists, decorative fabric manufacturers and apparel designers. Ideas for product design creations are drawn from various sources and are reviewed and modified by the design staff to ensure consistency within the Company's existing product offerings and the themes and images associated with such existing products. In order to respond effectively to changing consumer preferences, the Company's designers and stylists attempt to stay abreast of emerging lifestyle trends in color, fashion and design. When designing products under the Company's various licensed brands, the Company's designers coordinate their efforts with the licensors' design teams to provide for a more fluid design approval process and to effectively incorporate the image of the licensed brand into the product. The Company's designs include traditional, contemporary, textured and whimsical patterns across a broad spectrum of retail price points. Utilizing state of the art computer technology, the Company continually develops new designs throughout the year for all of its product groups. This continual development cycle affords the Company design flexibility, multiple opportunities to present new products to customers and the ability to provide timely responses to customer demands and changing market trends. The Company also creates designs for exclusive sale by certain of its customers under the Company's brands, as well as the customers' private label brands.

Employees

At June 1, 2015, the Company had 141 employees, none of whom is represented by a labor union or is otherwise a party to a collective bargaining agreement. The Company attracts and maintains qualified personnel by paying competitive salaries and benefits and offering opportunities for advancement. The Company considers its relationship with its employees to be good.

Competition

The infant and toddler consumer products industry is highly competitive. The Company competes with a variety of distributors and manufacturers (both branded and private label), including large infant and juvenile product companies and specialty infant and juvenile product manufacturers, on the basis of quality, design, price, brand name recognition, service and packaging. The Company's ability to compete depends principally on styling, price, service to the retailer and continued high regard for the Company's products and trade names.

Customers

The Company's customers consist principally of mass merchants, mid-tier retailers, juvenile specialty stores, value channel stores, grocery and drug stores, restaurants, internet accounts and wholesale clubs. The Company does not enter into long-term or other purchase agreements with its customers. The table below sets forth those customers that represented at least 10% of the Company's gross sales in fiscal years 2015 and 2014.

	Fiscal	
	Year	
	2015	2014
Wal-Mart Stores, Inc.	36%	41%
Toys R Us	25%	19%

Seasonality and Inventory Management

There are no significant variations in the seasonal demand for the Company's products from year to year. Sales are generally higher in periods when customers take initial shipments of new products, as these orders typically include enough products for initial sets for each store and additional quantities for the customer's distribution centers. The timing of these initial shipments varies by customer and depends on when the customer finalizes store layouts for the upcoming year and whether the customer has any mid-year introductions of products. Sales may also be higher or lower, as the case may be, in periods when customers are restricting internal inventory levels. Consistent with the expected introduction of specific product offerings, the Company carries necessary levels of inventory to meet the anticipated delivery requirements of its customers. Customer returns of merchandise shipped are historically less than 1% of gross sales.

Trademarks, Copyrights and Patents

The Company considers its intellectual property to be of material importance to its business. Sales of products marketed under the Company's trademarks, primarily NoJo® and Neat Solutions®, accounted for 26% of the Company's total gross sales during each of fiscal years 2015 and 2014. Protection for these trademarks is obtained through domestic and foreign registrations. The Company also markets designs which are subject to copyrights and design patents owned by the Company.

International Sales

Sales to customers in countries other than the United States represented 3% of the Company's total gross sales during each of fiscal years 2015 and 2014. International sales are based upon the location that predominately represents the final destination of the products delivered to the Company's customers.

Licensed Products

Certain products are manufactured and sold pursuant to licensing agreements for trademarks. Also, many of the designs used by the Company are copyrighted by other parties, including trademark licensors, and are available to the Company through copyright license agreements. The licensing agreements are generally for an initial term of one to three years and may or may not be subject to renewal or extension. Sales of licensed products represented 63% of the Company's gross sales in fiscal year 2015, which included 44% of sales under the Company's license agreements with affiliated companies of The Walt Disney Company ("Disney"). The table below sets forth the Company's license agreements with Disney as of June 1, 2015.

<u>License Agreement</u>	<u>Expiration</u>
Infant Bedding and Décor	December 31, 2017
Toddler Bedding	December 31, 2015
Disposable Products	December 31, 2015

ITEM 1A. Risk Factors

The following risk factors as well as the other information contained in this report and other filings made by the Company with the SEC should be considered in evaluating the Company's business. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, operating results may be affected in future periods.

The loss of one or more of the Company's key customers could result in a material loss of revenues.

The Company's top two customers represented approximately 61% of gross sales in fiscal year 2015. Although the Company does not enter into contracts with its key customers, it expects them to continue to be a significant portion of its gross sales in the future. The loss of one or more of these customers could result in a material decrease in the Company's revenue and operating income.

The Company's business is impacted by general economic conditions and related uncertainties affecting markets in which the Company operates.

Economic conditions, including the availability of credit and the possibility of a global recession, could adversely impact the Company's business. These conditions could result in reduced demand for some of the Company's products, increased order cancellations and returns, an increased risk of excess and obsolete inventories and increased pressure on the prices of the Company's products. Also, although the Company's use of a commercial factor significantly reduces the risk associated with collecting accounts receivable, the factor may at any time terminate or limit its approval of shipments to a particular customer, and the likelihood of the factor doing so may increase due to a change in economic conditions. Such an action by the factor could result in the loss of future sales to the affected customer.

The loss of one or more of the Company's licenses could result in a material loss of revenues.

Sales of licensed products represented 63% of the Company's gross sales in fiscal year 2015, which included 44% of sales associated with the Company's license agreements with Disney. The Company could experience a material loss of revenues if it is unable to renew its major license agreements or obtain new licenses.

The Company's inability to anticipate and respond to consumers' tastes and preferences could adversely affect the Company's revenues.

Sales are driven by consumer demand for the Company's products. There can be no assurance that the demand for the Company's products will not decline or that the Company will be able to anticipate and respond to changes in demand. The Company's failure to adapt to these changes could lead to lower sales and excess inventory, which could have a material adverse effect on the Company's financial condition and operating results.

The Company's ability to comply with its credit facility is subject to future performance and other factors.

The Company's ability to make required payments of principal and interest on its debts, to refinance its maturing indebtedness, to fund capital expenditures or to comply with its debt covenants will depend upon future performance. The Company's future performance is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond its control. The breach of any of these covenants could result in a default under the Company's credit facility. Upon the occurrence of an event of default, the Company's lender could make an immediate demand of the amount outstanding under the credit facility. If a default was to occur and such a demand was to be made, there can be no assurance that the Company's assets would be sufficient to repay the indebtedness in full.

The Company's debt covenants may affect its liquidity or limit its ability to pursue acquisitions, incur debt, make investments, sell assets or complete other significant transactions.

The Company's credit facility contains usual and customary covenants regarding significant transactions, including restrictions on other indebtedness, liens, transfers of assets, investments and acquisitions, merger or consolidation transactions, transactions with affiliates and changes in or amendments to the organizational documents for the Company and its subsidiaries. Unless waived by the Company's lender, these covenants could limit the Company's ability to pursue opportunities to expand its business operations, respond to changes in business and economic conditions and obtain additional financing, or otherwise engage in transactions that the Company considers beneficial.

The strength of the Company's competitors may impact the Company's ability to maintain and grow its sales, which could decrease the Company's revenues.

The infant and toddler consumer products industry is highly competitive. The Company competes with a variety of distributors and manufacturers, both branded and private label. The Company's ability to compete successfully depends principally on styling, price, service to the retailer and continued high regard for the Company's products and trade names. Several of these competitors are larger than the Company and have greater financial resources than the Company, and some have experienced financial challenges from time to time, including servicing significant levels of debt. Those facing financial pressures could choose to make particularly aggressive pricing decisions in an attempt to increase revenue. The effects of increased competition could result in a material decrease in the Company's revenues.

Customer pricing pressures could result in lower selling prices, which could negatively affect the Company's operating results.

The Company's customers could place pressure on the Company to reduce the prices of its products. The Company continuously strives to stay ahead of its competition in sourcing, which allows the Company to obtain lower cost products while maintaining high standards for quality. There can be no assurance that the Company could respond to a decrease in sales prices by proportionately reducing its costs, which could adversely affect the Company's operating results.

Changes in international trade regulations and other risks associated with foreign trade could adversely affect the Company's sourcing.

The Company sources its products primarily from foreign contract manufacturers, with the largest concentration being in China. Difficulties encountered by these suppliers, such as the instability inherent in operating within an authoritarian political structure, could halt or disrupt production of the Company's products. The Chinese government could make allegations against the Company of corruption or antitrust violations, or could adopt regulations related to the importation of products, including quotas, duties, taxes and other charges or restrictions on imported goods, any of which could result in an increase in the cost of the Company's products. Also, an arbitrary strengthening of the Chinese currency versus the U.S. dollar could increase the prices at which the Company purchases finished goods. Any event causing a disruption of the flow of products manufactured on behalf of the Company, whether within the Chinese interior or at the point of embarkation, could result in delays in the receipt of the Company's inventory and an increase in the cost of the Company's products. In addition, changes in U.S. customs procedures or delays in the clearance of goods through customs could result in the Company being unable to deliver goods to customers in a timely manner or the potential loss of sales altogether. The occurrence of any of these events could adversely affect the Company's profitability.

A significant disruption to the Company's distribution network or to the timely receipt of inventory could adversely impact sales or increase transportation costs, which would decrease the Company's profits.

Nearly all of the Company's products are imported from China into the Port of Long Beach in southern California. There are many links in the distribution chain, including the availability of ocean freight, cranes, dockworkers, containers, tractors, chassis and drivers. The timely receipt of the Company's products is also dependent upon efficient operations at the Port of Long Beach. Any shortages in the availability of any of these links or disruptions in port operations, including strikes, lockouts or other work stoppages or slowdowns, could cause bottlenecks and other congestion in the distribution network, which could adversely impact the Company's ability to obtain adequate inventory on a timely basis and result in lost sales, increased transportation costs and an overall decrease of the Company's profits.

The Company's sourcing and marketing operations in foreign countries are subject to anti-corruption laws.

The Company's foreign operations are subject to laws prohibiting improper payments and bribery, including the U.S. Foreign Corrupt Practices Act and similar laws and regulations in foreign jurisdictions, which apply to the Company's directors, officers, employees and agents acting on behalf of the Company. Failure to comply with these laws could result in damage to the Company's reputation, a diversion of management's attention from its business, increased legal and investigative costs, and civil and criminal penalties, any or all of which could adversely affect the Company's operating results.

The Company's success is dependent upon retaining key management personnel.

The Company's ability to retain qualified executive management and other key personnel is vital to the Company's success. If the Company were unable to retain or attract qualified individuals, the Company's growth and operating results could be materially impacted.

The Company may need to write down or write off inventory.

If product programs end before the inventory is completely sold, then the remaining inventory may have to be sold at less than carrying value. The market value of certain inventory items could drop to below carrying value after a decline in sales, at the end of programs, or when management makes the decision to exit a product group. Such inventory would then need to be written down to the lower of carrying or market value, or possibly completely written off, which would adversely affect the Company's operating results.

Recalls or product liability claims could increase costs or reduce sales.

The Company must comply with the Consumer Product Safety Improvement Act, which imposes strict standards to protect children from potentially harmful products and which requires that the Company's products be tested to ensure that they are within acceptable levels for lead and phthalates. The Company must also comply with related regulations developed by the Consumer Product Safety Commission and similar state regulatory authorities. The Company's products could be subject to involuntary recalls and other actions by these authorities, and concerns about product safety may lead the Company to voluntarily recall, accept returns or discontinue the sale of select products. Product liability claims could exceed or fall outside the scope of the Company's insurance coverage. Recalls or product liability claims could result in decreased consumer demand for the Company's products, damage to the Company's reputation, a diversion of management's attention from its business and increased customer service and support costs, any or all of which could adversely affect the Company's operating results.

The Company could experience adjustments to its effective tax rate or its prior tax obligations, either of which could adversely affect its results of operations.

The Company is subject to income taxes in the many jurisdictions in which it operates, including the U.S., several U.S. states and China. At any particular point in time, several tax years are subject to general examination or other adjustment by these various jurisdictions. Although management believes that the calculations and positions taken on its original and amended filed returns are reasonable and justifiable, negotiations or litigation leading to the final outcome of any examination or claim for refund could result in an adjustment to the position that the Company has taken. Such adjustment could result in further adjustment to one or more income tax returns for other jurisdictions, or to income tax returns for prior or subsequent tax years, or both. The overall effect of such adjustments could have an adverse impact on the Company's results of operations.

The Company's provision for income taxes is based on its effective tax rate, which in any given financial statement period could fluctuate based on changes in tax laws or regulations, changes in the mix and level of earnings by taxing jurisdiction, changes in the amount of certain expenses within the consolidated statements of income that will never be deductible on the Company's income tax returns and certain charges deducted on the Company's income tax returns that are not included within the consolidated statements of income. These changes could cause fluctuations in the Company's effective tax rate either on an absolute basis, or in relation to varying levels of the Company's pre-tax income. Such fluctuations in the Company's effective tax rate could adversely affect its results of operations.

The Company could experience losses associated with its intellectual property.

The Company relies upon the fair interpretation and enforcement of patent, copyright, trademark and trade secret laws in the U.S., similar laws in other countries, and agreements with employees, customers, suppliers, licensors and other parties. Such reliance serves to establish and maintain the intellectual property rights associated with the products that the Company develops and sells. However, the laws and courts of certain countries at times do not protect intellectual property rights or respect contractual agreements to the same extent as the laws of the U.S. Therefore, in certain jurisdictions the Company may not be able to protect its intellectual property rights against counterfeiting or enforce its contractual agreements with other parties. In addition, another party could claim that the Company is infringing upon such party's intellectual property rights, and claims of this type could lead to a civil complaint.

An unfavorable outcome in litigation involving intellectual property could result in any or all of the following: (i) civil judgments against the Company, which could require the payment of royalties on both past and future sales of certain products, as well as plaintiff's attorneys' fees and other litigation costs; (ii) impairment charges of up to the carrying value of the Company's intellectual property rights; (iii) restrictions on the ability of the Company to sell certain of its products; (iv) legal and other costs associated with investigations and litigation; and (v) the Company's competitive position could be adversely affected.

Economic conditions could result in an increase in the amounts paid for the Company's products.

Significant increases in the price of raw materials that are components of the Company's products, including cotton, oil and labor, could adversely affect the amounts that the Company must pay its suppliers for its finished goods. If the Company is unable to pass these cost increases along to its customers, its profitability could be adversely affected.

A stockholder could lose all or a portion of his or her investment in the Company.

The Company's common stock has historically experienced a degree of price variability, and the price could be subject to rapid and substantial fluctuations. The Company's common stock has also historically been thinly traded, a circumstance that exists when there is a relatively small volume of buy and sell orders for the Company's common stock at any given point in time. In such situations, a stockholder may be unable to liquidate his or her position in the Company's common stock at the desired price. Also, as an equity investment, a stockholder's investment in the Company is subordinate to the interests of the Company's creditors, and a stockholder could lose all or a substantial portion of his or her investment in the Company in the event of a voluntary or involuntary bankruptcy filing or liquidation.

ITEM 2. *Properties*

The Company's headquarters are located in Gonzales, Louisiana. The Company rents 17,761 square feet at this location under a lease that expires January 31, 2021. Management believes that its properties are suitable for the purposes for which they are used, are in generally good condition and provide adequate capacity for current and anticipated future operations. The Company's business is somewhat seasonal so that during certain times of the year these facilities are fully utilized, while at other times of the year the Company has excess capacity in these facilities. The table below sets forth certain information regarding the Company's principal real property as of June 1, 2015.

<u>Location</u>	<u>Use</u>	<u>Approximate Owned/</u>	
		<u>Square Feet</u>	<u>Leased</u>
Gonzales, Louisiana	Administrative and sales office	17,761	Leased

Compton, California	Offices, warehouse and distribution center	157,400	Leased
Bentonville, Arkansas	Sales office	1,376	Leased
Shanghai, People's Republic of China	Office	1,912	Leased

ITEM 3. *Legal Proceedings*

BreathableBaby, LLC (“BreathableBaby”) filed a complaint against the Company and CCIP on January 11, 2012 in the United States District Court for the District of Minnesota, which alleged that CCIP’s mesh crib liner infringed upon BreathableBaby’s patent rights relating to its air permeable infant bedding technology. On December 5, 2014, the Company reached a final settlement with BreathableBaby to resolve this matter under the terms of which the Company will be permitted to manufacture and sell a redesigned mesh crib liner product. In connection with the settlement, the Company made a one-time payment of \$850,000 to BreathableBaby on December 11, 2014, which has been classified as legal expense in the consolidated statements of income.

PART II

ITEM 5. *Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Description of Securities

The Company is authorized to issue up to 40,000,000 shares of capital stock, all of which are classified as common stock with a par value of \$0.01 per share. On June 1, 2015, there were 12,088,834 shares of the Company’s common stock issued, 10,077,906 of which were outstanding.

Market Information and Price

The Company's common stock is traded on the NASDAQ Capital Market under the symbol "CRWS". On June 1, 2015, the closing price of the Company's common stock was \$8.02 per share. The table below sets forth the high and low closing price per share of the Company's common stock and the cash dividends per share declared on the Company's common stock during each quarter of fiscal years 2015 and 2014.

Quarter	Closing Price		Cash Dividends Declared
	High	Low	
Fiscal Year 2015			
First Quarter	\$8.72	\$7.86	\$ 0.08
Second Quarter	8.03	7.18	0.08
Third Quarter	7.74	7.10	0.08
Fourth Quarter	8.62	7.60	0.08
Fiscal Year 2014			
First Quarter	\$6.17	\$5.75	\$ 0.08
Second Quarter	7.53	6.06	0.08
Third Quarter	8.05	7.22	0.08
Fourth Quarter	9.30	7.63	0.08

Holder of Common Stock

As of June 1, 2015, there were approximately 180 registered holders of the Company's common stock.

Dividends

The Company's credit facility permits the Company to pay cash dividends on its common stock without limitation, provided there is no default under the credit facility before or as a result of the payment of such dividends.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is a summary of certain factors that management considers important in reviewing the Company's results of operations, financial position, liquidity and capital resources. This discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Results of Operations

The following table contains results of operations for fiscal years 2015 and 2014 and the dollar and percentage changes for those periods (in thousands, except percentages).

	2015	2014	Change	
			\$	%
Net sales by category				
Bedding, blankets and accessories	\$64,038	\$58,332	\$5,706	9.8 %
Bibs, bath and disposable products	21,940	22,962	(1,022)	-4.5 %
Total net sales	85,978	81,294	4,684	5.8 %
Cost of products sold	62,428	58,760	3,668	6.2 %
Gross profit	23,550	22,534	1,016	4.5 %
<i>% of net sales</i>	27.4 %	27.7 %		
Marketing and administrative expenses	14,330	13,156	1,174	8.9 %
<i>% of net sales</i>	16.7 %	16.2 %		
Interest expense	37	49	(12)	-24.5 %
Other income (expense)	(23)	17	(40)	-235.3 %
Income tax expense	3,442	3,575	(133)	-3.7 %
Net income	5,718	5,771	(53)	-0.9 %
<i>% of net sales</i>	6.7 %	7.1 %		

Net Sales: Sales of \$86.0 million for 2015 were higher than 2014, having increased 5.8%, or \$4.7 million. The majority of the sales increase was due to initial placements of new programs which had previously been placed with a competitor that is no longer in business, as well as the strength of a licensed toddler property.

Gross Profit: Gross profit increased in amount by \$1.0 million and decreased as a percentage of net sales from 27.7% to 27.4%. The increase in amount was associated with the increase in net sales while the decrease as a percentage of net sales can be attributed to the assumption of new business from a former competitor with lower pre-set prices.

Legal Expenses: Legal expense for fiscal year 2015 increased in amount by \$501,000 as compared with fiscal year 2014 primarily due to a one-time payment of \$850,000 that the Company paid to BreathableBaby in settlement of litigation. This charge was offset by lower overall legal fees in the current year as this litigation wound down. For further information, refer to “Legal Proceedings” in Item 3. of Part I. of this annual report on Form 10-K.

Other Marketing and Administrative Expenses: Other marketing and administrative expenses for fiscal year 2015 increased by \$673,000 as compared with fiscal year 2014 primarily due to higher advertising costs and factoring fees.

Income Tax Expense: The effective tax rate used in the Company’s provision for income taxes decreased to 37.6% during fiscal year 2015 from 38.3% in fiscal year 2014.

Inflation: The Company has endeavored to increase its prices to offset inflationary increases in its raw materials and other costs, but there can be no assurance that the Company will be successful in maintaining such price increases or in effecting such price increases in a manner that will provide a timely match to the cost increases in the future.

Known Trends and Uncertainties

The Company’s financial results are closely tied to sales to the Company’s top two customers, which represented approximately 61% of the Company’s gross sales in fiscal year 2015. A significant downturn experienced by either or both of these customers could lead to pressure on the Company’s revenues. At times, the Company has also faced higher raw material costs, primarily related to cotton, as well as increases in labor, transportation and currency costs associated with the Company’s sourcing activities in China. Increases in these costs could adversely affect the profitability of the Company if it cannot pass the cost increases along to its customers in the form of price increases or if the timing of price increases does not closely match the cost increases. For additional discussion of trends,

uncertainties and other factors that could impact the Company's operating results, see "Risk Factors" in Item 1A. of Part I. of this annual report on Form 10-K.

Financial Position, Liquidity and Capital Resources

Net cash provided by operating activities increased from \$3.6 million for the fiscal year ended March 30, 2014 to \$4.8 million for the fiscal year ended March 29, 2015. In the current year, the Company experienced a lower decrease in accounts payable and a lower increase in inventory balances, which was offset by a greater increase in prepaid expenses. The increase in inventory in the current year is primarily related to the new programs gained during the year, while the decrease in accounts payable in the current year was primarily the result of the payment of accrued legal fees upon the resolution of the BreathableBaby litigation.

Net cash used in investing activities was \$256,000 in fiscal year 2015 compared with \$161,000 in the prior year. The increase in cash used in investing activities in the current year was primarily associated with higher capitalized costs of the Company's expenditures for property, plant and equipment, which consisted mostly of computer equipment in both fiscal years 2015 and 2014.

Net cash used in financing activities was unchanged at \$3.3 million in both the current year and the prior year, and was primarily associated with the payment of dividends in both periods.

From March 31, 2014 to March 29, 2015, the Company used \$3.2 million of the \$4.8 million in net cash provided by operating activities for the payment of dividends.

The Company's future performance is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond its control. Based upon the current level of operations, the Company believes that its cash flow from operations and availability on its revolving line of credit will be adequate to meet its liquidity needs.

The Company's credit facility at March 29, 2015 consisted of a revolving line of credit under a financing agreement with The CIT Group/Commercial Services, Inc. ("CIT"), a subsidiary of CIT Group Inc., of up to \$26.0 million, which includes a \$1.5 million sub-limit for letters of credit, bearing interest at the rate of prime minus 0.50% or LIBOR plus 2.00%. The financing agreement matures on July 11, 2016 and is secured by a first lien on all assets of the Company. At March 29, 2015, the Company had elected to pay interest on balances owed under the revolving line of credit, if any, under the LIBOR option. The financing agreement also provides for the payment by CIT to the Company of interest at the rate of prime minus 2.00%, which was 1.25% at March 29, 2015, on daily negative balances held at CIT.

Under the financing agreement, a monthly fee is assessed based on 0.125% of the average unused portion of the \$26.0 million revolving line of credit, less any outstanding letters of credit (the "Commitment Fee"). The Commitment Fee amounted to \$33,000 and \$41,000 during fiscal years 2015 and 2014, respectively. At March 29, 2015, there was no balance owed on the revolving line of credit, there was no letter of credit outstanding and full amount of the credit facility of \$26.0 million was available under the revolving line of credit based on the Company's eligible accounts receivable and inventory balances.

The financing agreement contains usual and customary covenants for agreements of that type, including limitations on other indebtedness, liens, transfers of assets, investments and acquisitions, merger or consolidation transactions, transactions with affiliates, and changes in or amendments to the organizational documents for the Company and its subsidiaries. The Company believes it was in compliance with these covenants as of June 1, 2015.

To reduce its exposure to credit losses, the Company assigns the majority of its trade accounts receivable to CIT pursuant to factoring agreements, which have expiration dates that are coterminous with that of the financing agreement described above. Under the terms of the factoring agreements, CIT remits customer payments to the Company as such payments are received by CIT.

CIT bears credit losses with respect to assigned accounts receivable from approved shipments, while the Company bears the responsibility for adjustments from customers related to returns, allowances, claims and discounts. CIT may at any time terminate or limit its approval of shipments to a particular customer. If such a termination or limitation were to occur, the Company would either assume the credit risk for shipments to the customer after the date of such termination or limitation or cease shipments to the customer. Factoring fees, which are included in marketing and administrative expenses in the accompanying consolidated statements of income, were \$673,000 and \$461,000 during fiscal years 2015 and 2014, respectively. There were no advances on the factoring agreements at either March 29, 2015 or March 30, 2014.

Critical Accounting Policies and Estimates

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as promulgated by the Financial Accounting Standards Board (“FASB”), the Securities Act, the Exchange Act and the regulations thereunder as administered by the SEC. References herein to GAAP are to topics within the FASB Accounting Standards Codification (the “FASB ASC”), which the FASB periodically revises through the issuance of an Accounting Standards Update (“ASU”) and which has been established by the FASB as the authoritative source for GAAP recognized by the FASB to be applied by nongovernmental entities.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. The listing below, while not inclusive of all of the Company's accounting policies, sets forth those accounting policies which the Company's management believes embody the most significant judgments due to the uncertainties affecting their application and the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

Royalty Payments: The Company has entered into agreements that provide for royalty payments based on a percentage of sales with certain minimum guaranteed amounts. These royalty amounts are accrued based upon historical sales rates adjusted for current sales trends by customers. Royalty expense is included in cost of products sold and amounted to \$8.7 million and \$7.5 million for fiscal years 2015 and 2014, respectively.

Revenue Recognition: Sales are recorded when goods are shipped to customers and are reported net of allowances for estimated returns and allowances in the consolidated statements of income. Allowances for returns are estimated based on historical rates. Allowances for returns, advertising allowances, warehouse allowances, placement fees and volume rebates are recorded commensurate with sales activity or using the straight-line method, as appropriate, and the cost of such allowances is netted against sales in reporting the results of operations. Shipping and handling costs, net of amounts reimbursed by customers, are not material and are included in net sales.

Allowances Against Accounts Receivable: The Company's allowances against accounts receivable are primarily contractually agreed-upon deductions for items such as cooperative advertising and warehouse allowances, placement fees and volume rebates. These deductions are recorded throughout the year commensurate with sales activity or using the straight-line method, as appropriate. Funding of the majority of the Company's allowances occurs on a per-invoice basis. The allowances for customer deductions, which are netted against accounts receivable in the consolidated balance sheets, consist of agreed-upon cooperative advertising support, placement fees, markdowns and warehouse and other allowances. All such allowances are recorded as direct offsets to sales, and such costs are accrued commensurate with sales activities or as a straight-line amortization charge of an agreed-upon fixed amount, as appropriate to the circumstances for each arrangement. When a customer requests deductions, the allowances are reduced to reflect such payments or credits issued against the customer's account balance. The Company analyzes the components of the allowances for customer deductions monthly and adjusts the allowances to the appropriate levels. The timing of the customer-initiated funding requests for advertising support can cause the net balance in the allowance account to fluctuate from period to period. The timing of such funding requests has a minimal impact on the consolidated statements of income since such costs are accrued commensurate with sales activity or using the straight-line method, as appropriate.

To reduce its exposure to credit losses, the Company assigns the majority of its receivables under factoring agreements with CIT. In the event a factored receivable becomes uncollectible due to creditworthiness, CIT bears the risk of loss. The Company's management must make estimates of the uncollectibility of its non-factored accounts receivable when evaluating the adequacy of its allowance for doubtful accounts, which it accomplishes by specifically analyzing accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in its customers' payment terms.

Inventory Valuation: The preparation of the Company's financial statements requires careful determination of the appropriate dollar amount of the Company's inventory balances. Such amount is presented as a current asset in the Company's consolidated balance sheets and is a direct determinant of cost of products sold in the consolidated statements of income and, therefore, has a significant impact on the amount of net income reported in the accounting periods. The basis of accounting for inventories is cost, which includes the direct supplier acquisition cost, duties, taxes and freight, and the indirect costs to design, develop, source and store the product until it is sold. Once cost has been determined, the Company's inventory is then stated at the lower of cost or market, with cost determined using the first-in, first-out ("FIFO") method, which assumes that inventory quantities are sold in the order in which they are acquired.

The determination of the indirect charges and their allocation to the Company's finished goods inventories is complex and requires significant management judgment and estimates. If management made different judgments or utilized different estimates, then differences would result in the valuation of the Company's inventories and in the amount and timing of the Company's cost of products sold and resulting net income for the reporting period.

On a periodic basis, management reviews its inventory quantities on hand for obsolescence, physical deterioration, changes in price levels and the existence of quantities on hand which may not reasonably be expected to be sold

within the Company's normal operating cycle. To the extent that any of these conditions is believed to exist or the market value of the inventory expected to be realized in the ordinary course of business is otherwise no longer as great as its carrying value, an allowance against the inventory value is established. To the extent that this allowance is established or increased during an accounting period, an expense is recorded in cost of products sold in the Company's consolidated statements of income. Only when inventory for which an allowance has been established is later sold or is otherwise disposed is the allowance reduced accordingly. Significant management judgment is required in determining the amount and adequacy of this allowance. In the event that actual results differ from management's estimates or these estimates and judgments are revised in future periods, the Company may not fully realize the carrying value of its inventory or may need to establish additional allowances, either of which could materially impact the Company's financial position and results of operations.

Depreciation and Amortization: The Company's consolidated balance sheets reflect property, plant and equipment, and certain intangible assets at cost less accumulated depreciation or amortization. The Company capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are three to eight years for property, plant and equipment, and one to twenty years for intangible assets other than goodwill. The Company amortizes improvements to its leased facilities over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Valuation of Long-Lived Assets, Identifiable Intangible Assets and Goodwill: In addition to the depreciation and amortization procedures set forth above, the Company reviews for impairment long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. Assets to be disposed of, if any, are recorded at the lower of net book value or fair market value, less estimated costs to sell at the date management commits to a plan of disposal, and are classified as assets held for sale on the consolidated balance sheets.

The Company tests the carrying value of its goodwill annually on the first day of the Company's fiscal year. An additional impairment test is performed during the year whenever an event or change in circumstances suggest that the fair value of the goodwill of either of the reporting units of the Company has more likely than not fallen below its carrying value. The Company considers its wholly-owned subsidiaries, CCIP and Hamco, to each be a reporting unit of the Company for goodwill impairment testing purposes.

Patent Costs: The Company incurs certain legal and related costs in connection with patent applications. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or alternative future use is available to the Company. The Company also capitalizes legal costs incurred in the defense of the Company's patents when it is believed that the future economic benefit of the patent will be maintained or increased and a successful defense is probable. Capitalized patent defense costs are amortized over the remaining expected life of the related patent. The Company's assessment of future economic benefit of its patents involves considerable management judgment, and a different conclusion could result in a material impairment charge up to the carrying value of these assets.

Provision for Income Taxes: The Company's provision for income taxes includes all currently payable federal, state, local and foreign taxes that are based on the Company's taxable income and the change during the fiscal year in net deferred income tax assets and liabilities. The Company provides for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse. The Company's policy is to recognize the effect that a change in enacted tax rates would have on net deferred income tax assets and liabilities in the period that the tax rates are changed.

Management evaluates items of income, deductions and credits reported on the Company's various federal and state income tax returns filed and recognizes the effect of positions taken on those income tax returns only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Based on its recent evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. The Company's policy is to accrue interest expense and penalties as appropriate on any estimated unrecognized tax benefits as a charge to interest expense in the Company's consolidated statements of income.

Recently-Issued Accounting Standards

On April 7, 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, and

which will lead to a presentation consistent with the long-standing presentation of debt discounts. The ASU will become effective for the first interim period of the fiscal year beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued, with a retrospective presentation within each balance sheet. When the Company's financing agreement with CIT was amended on May 21, 2013 to extend its maturity date to July 11, 2016, CIT did not charge the Company any debt issuance costs, and the Company's legal and other costs incurred in connection with the extension of the financing agreement were not material. There was no balance owed on the Company's revolving line of credit or any other structured debt as of March 29, 2015 and March 30, 2014. If the Company again extends its financing agreement with CIT to beyond July 11, 2016, or otherwise enters into any new structured debt arrangements, and if there are debt issuance costs associated with such an extension or such new structured debt arrangements, the Company does not anticipate that the adoption by the Company of ASU No. 2015-03 on April 4, 2016 will have a material impact on the Company's consolidated financial statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which will replace most existing revenue guidance in GAAP when it becomes effective for the first annual fiscal period beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the effect that ASU 2014-09 will have on its financial position, results of operations and related disclosures.

The Company has determined that all other ASU's issued which had become effective as of June 1, 2015, or which will become effective at some future date, are not expected to have a material impact on the Company's consolidated financial statements.

ITEM 8. *Financial Statements and Supplementary Data*

See pages 17 and F-1 through F-17 hereof.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control — Integrated Framework*, issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of March 29, 2015.

The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of financial statements in accordance with GAAP. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only a reasonable, rather than absolute, assurance that the Company's financial statements are free of any material misstatement, whether caused by error or fraud.

Changes in Internal Control Over Financial Reporting

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the Company's internal control over financial reporting as required by Rule 13a-15(d) under the Exchange Act and, in connection with such evaluation, determined that no changes occurred during the Company's fourth fiscal quarter ended March 29, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

The information with respect to the Company's directors and executive officers will be set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held in 2015 (the "Proxy Statement") under the captions "Proposal 1 – Election of Directors" and "Executive Officers" and is incorporated herein by reference. The information with respect to Item 405 of Regulation S-K will be set forth in the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference. The information with respect to Item 406 of Regulation S-K will be set forth in the Proxy Statement under the caption "Code of Business Conduct and Ethics" and is incorporated herein by reference. The information with respect to Item 407 of Regulation S-K will be set forth in the Proxy Statement under the captions "Board Committees and Meetings" and "Report of the Audit Committee" and is incorporated herein by reference.

ITEM 11. *Executive Compensation*

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans

The table below sets forth information regarding shares of the Company's common stock that may be issued upon the exercise of options, warrants and other rights granted to employees, consultants or directors under all of the Company's existing equity compensation plans as of March 29, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders:			
2006 Omnibus Incentive Plan	330,000	\$ 6.83	0
2014 Omnibus Equity Compensation Plan	0	0	1,200,000

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence*

The information set forth under the captions "Director Independence" and "Certain Relationships and Related Transactions" in the Proxy Statement is incorporated herein by reference.

ITEM 14. *Principal Accountant Fees and Services*

The information set forth under the caption "Proposal 2 – Ratification of Appointment of Independent Auditor" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a)(1). Financial Statements

The following consolidated financial statements of the Company are filed with this report and included in Part II, Item 8:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of March 29, 2015 and March 30, 2014
- Consolidated Statements of Income for the Fiscal Years Ended March 29, 2015 and March 30, 2014
- Consolidated Statements of Changes in Shareholders' Equity for the Fiscal Years Ended March 29, 2015 and March 30, 2014
- Consolidated Statements of Cash Flows for the Fiscal Years Ended March 29, 2015 and March 30, 2014
- Notes to Consolidated Financial Statements

(a)(2). Financial Statement Schedule

The following financial statement schedule of the Company is filed with this report:

Schedule II — Valuation and Qualifying Accounts Page 17

All other schedules not listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

SCHEDULE II

CROWN CRAFTS, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

<u>Column A</u>	Valuation and Qualifying Accounts			
	Column B	Column C	Column D	Column E
	Balance at Beginning of Period	Charged to Expenses	Deductions	Balance at End of Period
	(in thousands)			

Accounts Receivable Valuation Accounts:

Year Ended March 30, 2014

Allowance for doubtful accounts	\$0	\$ 73	\$ 0	\$ 73
Allowance for customer deductions	\$349	\$ 3,584	\$ 3,288	\$ 645

Year Ended March 29, 2015

Allowance for doubtful accounts	\$73	\$ 9	\$ 82	\$ 0
Allowance for customer deductions	\$645	\$ 4,543	\$ 4,188	\$ 1,000

(a)(3). Exhibits

Exhibits required to be filed by Item 601 of SEC Regulation S-K are included as Exhibits to this report as follows:

Exhibit

Number Description of Exhibits

3.1	Amended and Restated Certificate of Incorporation of the Company. (2)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company. (12)
3.3	Amended and Restated Bylaws of the Company. (11)
4.1	Instruments defining the rights of security holders are contained in the Amended and Restated Certificate of Incorporation of the Company. (2)
4.2	Instruments defining the rights of security holders are contained in the Amended and Restated Bylaws of the Company. (11)
4.3*	Crown Crafts, Inc. 2014 Omnibus Equity Compensation Plan. (17)
4.4*	Form of Incentive Stock Option Grant Agreement. (18)
4.5*	Form of Non-Qualified Stock Option Grant Agreement. (18)
4.6*	Form of Restricted Stock Grant Agreement. (18)
10.1*	Employment Agreement dated July 23, 2001 by and between the Company and E. Randall Chestnut. (1)
10.2*	Amended and Restated Severance Protection Agreement dated April 20, 2004 by and between the Company and E. Randall Chestnut. (3)
10.3*	Amended and Restated Employment Agreement dated April 20, 2004 by and between the Company and Nanci Freeman. (3)
10.4	Financing Agreement dated as of July 11, 2006 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial Services, Inc. (4)
10.5	Stock Pledge Agreement dated as of July 11, 2006 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial Services, Inc. (4)
10.6	First Amendment to Financing Agreement dated as of November 5, 2007 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial Services, Inc. (5)
10.7*	Employment Agreement dated November 6, 2008 by and between the Company and Olivia W. Elliott (6)
10.8*	First Amendment to Employment Agreement dated November 6, 2008 by and between the Company and E. Randall Chestnut. (7)
10.9*	First Amendment to Amended and Restated Severance Protection Agreement dated November 6, 2008 by and between the Company and E. Randall Chestnut. (7)
10.10*	First Amendment to Amended and Restated Employment Agreement dated November 6, 2008 by and between the Company and Nanci Freeman. (7)
10.11	Third Amendment to Financing Agreement dated as of July 2, 2009 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial Services, Inc. (8)
10.12	Sixth Amendment to Financing Agreement dated as of March 5, 2010 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial Services, Inc. (9)
10.13	Seventh Amendment to Financing Agreement dated as of May 27, 2010 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial

- ~~Services, Inc. (10)~~
- 10.14 Eighth Amendment to Financing Agreement dated as of March 26, 2012 by and among the Company, Churchill Weavers, Inc., Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial
- ~~Services, Inc. (13)~~
- 10.15* Second Amendment to Amended and Restated Employment Agreement dated March 26, 2012 by and between the Company and Nanci Freeman. (14)

- 10.16 ~~Ninth Amendment to Financing Agreement dated May 21, 2013 by and among the Company, Hamco, Inc., Crown Crafts Infant Products, Inc. and The CIT Group/Commercial Services, Inc. (16)~~
- 10.17 ~~Settlement Agreement dated December 5, 2014 by and between the Company, Crown Crafts Infant Products, Inc. and BreathableBaby, LLC (19)~~
- 14.1 ~~Code of Ethics. (3)~~
- 21.1 ~~Subsidiaries of the Company. (20)~~
- 23.1 ~~Consent of KPMG LLP. (20)~~
- 31.1 ~~Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer. (20)~~
- 31.2 ~~Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer. (20)~~
- 32.1 ~~Section 1350 Certification by the Company's Chief Executive Officer. (20)~~
- 32.2 ~~Section 1350 Certification by the Company's Chief Financial Officer. (20)~~
- 101 ~~The following information from the Registrant's Annual Report on Form 10-K for the fiscal year ended March 29, 2015, formatted as interactive data files in XBRL (eXtensible Business Reporting Language):~~
- ~~(i)Consolidated Statements of Income;~~
- ~~(ii)Consolidated Balance Sheets;~~
- ~~(iii)Consolidated Statements of Changes in Shareholders' Equity;~~
- ~~(iv)Consolidated Statements of Cash Flows; and~~
- ~~(v)Notes to Consolidated Financial Statements.~~

* Management contract or a compensatory plan or arrangement.

- (1) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated July 23, 2001.
- (2) Incorporated herein by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 28, 2003.
- (3) Incorporated herein by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended March 28, 2004.
- (4) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated July 17, 2006.
- (5) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated November 9, 2007.
- (6) Incorporated herein by reference to Registrant's Current Report on Form 8-K/A dated November 7, 2008.
- (7) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated November 7, 2008.
- (8) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated July 6, 2009.
- (9) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated March 8, 2010.
- (10) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated May 27, 2010.
- (11) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated April 4, 2011.
- (12) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated August 9, 2011.
- (13) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated March 27, 2012.
- (14) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated March 30, 2012.
- (15) Incorporated herein by reference to Registrant's Registration Statement on Form S-8 dated August 14, 2012.
- (16) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated May 21, 2013.
- (17) Incorporated herein by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on June 27, 2014.
- (18) Incorporated herein by reference to Registrant's Registration Statement on Form S-8 dated November 10, 2014.
- (19) Incorporated herein by reference to Registrant's Current Report on Form 8-K dated December 9, 2014.

(20) Filed herewith.

19

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROWN CRAFTS, INC.

By: /s/ E. Randall Chestnut

E. Randall Chestnut

Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
/s/ E. Randall Chestnut	Chairman of the Board, President and Chief Executive Officer	June 11, 2015
E. Randall Chestnut	(Principal Executive Officer)	
/s/ Sidney Kirschner Sidney Kirschner	Director	June 11, 2015
/s/ Zenon S. Nie Zenon S. Nie	Director	June 11, 2015
/s/ Donald Ratajczak Donald Ratajczak	Director	June 11, 2015
/s/ Patricia Stensrud	Director	June 11, 2015

Patricia Stensrud

Vice President and Chief

/s/ Olivia W. Elliott Financial Officer (Principal June 11, 2015

Financial Officer and

Olivia W. Elliott Principal Accounting
Officer)

20

ITEM 8. *Financial Statements and Supplementary Data*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Audited Financial Statements:	
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of March 29, 2015 and March 30, 2014	F-2
Consolidated Statements of Income for the Fiscal Years Ended March 29, 2015 and March 30, 2014	F-3
Consolidated Statements of Changes in Shareholders' Equity for the Fiscal Years Ended March 29, 2015 and March 30, 2014	F-4
Consolidated Statements of Cash Flows for the Fiscal Years Ended March 29, 2015 and March 30, 2014	F-5
Notes to Consolidated Financial Statements	F-6

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Crown Crafts, Inc.:

We have audited the accompanying consolidated balance sheets of Crown Crafts, Inc. and subsidiaries as of March 29, 2015 and March 30, 2014, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II included in Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crown Crafts, Inc. and subsidiaries as of March 29, 2015 and March 30, 2014, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Baton Rouge, Louisiana

June 11, 2015

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 29, 2015 AND MARCH 30, 2014

	March 29, 2015	March 30, 2014
	(amounts in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,807	\$560
Accounts receivable (net of allowances of \$1,000 at March 29, 2015 and \$718 at March 30, 2014):		
Due from factor	21,563	20,800
Other	807	912
Inventories	15,468	13,607
Prepaid expenses	1,906	1,391
Deferred income taxes	968	799
Total current assets	42,519	38,069
Property, plant and equipment - at cost:		
Vehicles	235	193
Leasehold improvements	230	213
Machinery and equipment	2,836	2,671
Furniture and fixtures	755	738
Property, plant and equipment - gross	4,056	3,815
Less accumulated depreciation	3,528	3,229
Property, plant and equipment - net	528	586
Finite-lived intangible assets - at cost:		
Customer relationships	5,411	5,411
Other finite-lived intangible assets	7,613	7,613
Finite-lived intangible assets - gross	13,024	13,024
Less accumulated amortization	8,517	7,776
Finite-lived intangible assets - net	4,507	5,248
Goodwill	1,126	1,126
Deferred income taxes	1,133	1,109
Other	133	77
Total Assets	\$49,946	\$46,215

LIABILITIES AND SHAREHOLDERS' EQUITY**Current liabilities:**

Edgar Filing: CROWN CRAFTS INC - Form 10-K

Accounts payable	\$4,472	\$5,066
Accrued wages and benefits	2,265	2,426
Accrued royalties	1,581	1,139
Dividends payable	805	789
Income taxes currently payable	1,021	787
Other accrued liabilities	230	91
Total current liabilities	10,374	10,298
 Commitments and contingencies	 -	 -
 Shareholders' equity:		
Common stock - \$0.01 par value per share; Authorized 40,000,000 shares at March 29, 2015 and March 30, 2014; Issued 12,030,302 shares at March 29, 2015 and 11,794,070 shares at March 30, 2014	120	118
Additional paid-in capital	48,561	47,162
Treasury stock - at cost - 1,964,886 shares at March 29, 2015 and 1,932,744 shares at March 30, 2014	(8,390)	(8,147)
Accumulated deficit	(719)	(3,216)
Total shareholders' equity	39,572	35,917
Total Liabilities and Shareholders' Equity	\$49,946	\$46,215

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FISCAL YEARS ENDED MARCH 29, 2015 AND MARCH 30, 2014

(amounts in thousands, except per share amounts)

	2015	2014
Net sales	\$85,978	\$81,294
Cost of products sold	62,428	58,760
Gross profit	23,550	22,534
Legal expense	1,368	867
Other marketing and administrative expenses	12,962	12,289
Income from operations	9,220	9,378
Other income (expense):		
Interest expense	(37)	(49)
Interest income	19	21
Foreign exchange loss	(49)	(38)
Other - net	7	34
Income before income tax expense	9,160	9,346
Income tax expense	3,442	3,575
Net income	\$5,718	\$5,771
Weighted average shares outstanding:		
Basic	10,047	9,848
Effect of dilutive securities	33	10
Diluted	10,080	9,858
Earnings per share:		
Basic	\$0.57	\$0.59
Diluted	\$0.57	\$0.59
Cash dividends declared per share	\$0.32	\$0.32

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FISCAL YEARS ENDED MARCH 29, 2015 AND MARCH 30, 2014

	Common Shares Number of Shares (Dollar amounts in thousands)	Amount	Treasury Shares Number of Shares (Dollar amounts in thousands)	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Balances - March 31, 2013	11,696,022	\$ 117	(1,868,003)	\$(7,690)	\$ 46,219	\$ (5,834)	\$ 32,812
Issuance of shares	98,048	1			306		307
Stock-based compensation					604		604
Net tax effect of stock-based compensation					33		33
Acquisition of treasury stock			(64,741)	(457)			(457)
Net income						5,771	5,771
Dividends declared						(3,153)	(3,153)
Balances - March 30, 2014	11,794,070	118	(1,932,744)	(8,147)	47,162	(3,216)	35,917
Issuance of shares	236,232	2			468		470
Stock-based compensation					862		862
Net tax effect of stock-based compensation					69		69
Acquisition of treasury stock			(32,142)	(243)			(243)
Net income						5,718	5,718
Dividends declared						(3,221)	(3,221)
Balances - March 29, 2015	12,030,302	\$ 120	(1,964,886)	\$(8,390)	\$ 48,561	\$ (719)	\$ 39,572

See notes to consolidated financial statements.

CROWN CRAFTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FISCAL YEARS ENDED MARCH 29, 2015 AND MARCH 30, 2014

	2015 (amounts in thousands)	2014
Operating activities:		
Net income	\$ 5,718	\$ 5,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	314	299
Amortization of intangibles	741	758
Deferred income taxes	(193)	(743)
Gain on sale of property, plant and equipment	-	(2)
Stock-based compensation	862	604
Tax shortfall from stock-based compensation	-	(9)
Changes in assets and liabilities:		
Accounts receivable	(658)	12
Inventories	(1,861)	(2,677)
Prepaid expenses	(515)	682
Other assets	(56)	-
Accounts payable	(594)	(2,310)
Accrued liabilities	1,008	1,254
Net cash provided by operating activities	4,766	3,639
Investing activities:		
Capital expenditures for property, plant and equipment	(256)	(147)
	-	2

Edgar Filing: CROWN CRAFTS INC - Form 10-K

Proceeds from disposition of assets				
Capitalized costs of internally developed intangible assets	-		(16)
Net cash used in investing activities	(256)	(161)
Financing activities:				
Repayments under revolving line of credit	(7,839)	(10,322)
Borrowings under revolving line of credit	7,839		10,322	
Purchase of treasury stock	(243)	(457)
Issuance of common stock	116		307	
Excess tax benefit from stock-based compensation	69		42	
Dividends paid	(3,205)	(3,150)
Net cash used in financing activities	(3,263)	(3,258)
Net increase in cash and cash equivalents	1,247		220	
Cash and cash equivalents at beginning of period	560		340	
Cash and cash equivalents at end of period	\$ 1,807		\$ 560	
Supplemental cash flow information:				
Income taxes paid, net of refunds received	\$ 3,386		\$ 4,218	
Interest paid, net of interest received	19		31	
Noncash financing activity:				
Dividends declared but unpaid	(805)	(789)
Compensation paid as common stock	354		-	

See notes to consolidated financial statements.

F-5

Crown Crafts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Fiscal Years Ended March 29, 2015 and March 30, 2014

Note 1 – Description of Business

Crown Crafts, Inc. (the “Company”) operates indirectly through its wholly-owned subsidiaries, Hamco, Inc. (“Hamco”) and Crown Crafts Infant Products, Inc. (“CCIP”), in the infant and toddler products segment within the consumer products industry. The infant and toddler products segment consists of infant and toddler bedding, bibs, soft bath products, disposable products and accessories. Sales of the Company’s products are generally made directly to retailers, which are primarily mass merchants, mid-tier retailers, juvenile specialty stores, value channel stores, grocery and drug stores, restaurants, internet accounts and wholesale clubs. The Company’s products are manufactured primarily in Asia and marketed under a variety of Company-owned trademarks, under trademarks licensed from others and as private label goods.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation: The accompanying consolidated financial statements include the accounts of the Company and have been prepared pursuant to accounting principles generally accepted in the United States (“GAAP”) as promulgated by the Financial Accounting Standards Board (“FASB”), the Securities Act, the Exchange Act and the regulations of the Securities and Exchange Commission (“SEC”). All significant intercompany balances and transactions have been eliminated in consolidation. References herein to GAAP are to topics within the FASB Accounting Standards Codification (the “FASB ASC”), which the FASB periodically revises through the issuance of an Accounting Standards Update (“ASU”) and which has been established by the FASB as the authoritative source for GAAP recognized by the FASB to be applied by nongovernmental entities.

Reclassifications: The Company has reclassified certain prior year information to conform to the amounts presented in the current year. None of the changes impact the Company’s previously reported financial position or results of operations.

Fiscal Year: The Company's fiscal year ends on the Sunday nearest to or on March 31. References herein to “fiscal year 2015” or “2015”, and “fiscal year 2014” or “2014” represent the 52-week periods ended March 29, 2015 and March 30, 2014, respectively.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated balance sheets and the reported amounts of revenues and expenses during the periods presented on the consolidated statements of income and cash flows. Significant estimates are made with respect to the allowances related to accounts receivable for customer deductions for returns, allowances and disputes. The Company also has a certain amount of discontinued finished goods which necessitates the establishment of inventory reserves that are highly subjective. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: The Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company’s credit facility consists of a revolving line of credit under a financing agreement with The CIT Group/Commercial Services, Inc. (“CIT”), a subsidiary of CIT Group Inc. The Company classifies a negative balance outstanding under this revolving line of credit as cash, as these amounts are legally owed to the Company and are immediately available to be drawn upon by the Company.

Financial Instruments: For short-term instruments such as cash and cash equivalents, accounts receivable and accounts payable, the Company uses carrying value as a reasonable estimate of fair value.

Royalty Payments: The Company has entered into agreements that provide for royalty payments based on a percentage of sales with certain minimum guaranteed amounts. These royalties are accrued based upon historical sales rates adjusted for current sales trends by customers. Royalty expense is included in cost of products sold and amounted to \$8.7 million and \$7.5 million for fiscal years 2015 and 2014, respectively.

Advertising Costs: The Company’s advertising costs are primarily associated with cooperative advertising arrangements with certain of the Company’s customers and are recognized using the straight-line method based upon aggregate annual estimated amounts for these customers, with periodic adjustments to the actual amounts of authorized agreements. Advertising expense is included in other marketing and administrative expenses in the accompanying consolidated statements of income and amounted to \$1.1 million and \$747,000 for fiscal years 2015 and 2014, respectively.

Depreciation and Amortization: The accompanying consolidated balance sheets reflect property, plant and equipment, and certain intangible assets at cost less accumulated depreciation or amortization. The Company capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are three to eight years for property, plant and equipment, and one to twenty years for intangible assets other than goodwill. The Company amortizes improvements to its leased facilities over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Valuation of Long-Lived Assets and Identifiable Intangible Assets: In addition to the depreciation and amortization procedures set forth above, the Company reviews for impairment long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value.

Patent Costs: The Company incurs certain legal and related costs in connection with patent applications. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or an alternative future use is available to the Company. The Company also capitalizes legal and other costs incurred in the protection or defense of the Company's patents when it is believed that the future economic benefit of the patent will be maintained or increased and a successful defense is probable. Capitalized patent defense costs are amortized over the remaining expected life of the related patent. The Company's assessment of future economic benefit of its patents involves considerable management judgment, and a different conclusion could result in a material impairment charge up to the carrying value of these assets.

Segments and Related Information: The Company operates primarily in one principal segment, infant and toddler products. These products consist of infant and toddler bedding, bibs, soft bath products, disposable products and accessories. Net sales of bedding, blankets and accessories and net sales of bibs, bath and disposable products for 2015 and 2014 are as follows (in thousands):

	2015	2014
Bedding, blankets and accessories	\$64,038	\$58,332
Bibs, bath and disposable products	21,940	22,962
Total net sales	\$85,978	\$81,294

Inventory Valuation: The preparation of the Company's financial statements requires careful determination of the appropriate dollar amount of the Company's inventory balances. Such amount is presented as a current asset in the accompanying consolidated balance sheets and is a direct determinant of cost of products sold in the accompanying consolidated statements of income and, therefore, has a significant impact on the amount of net income in the reported accounting periods. The basis of accounting for inventories is cost, which includes the direct supplier acquisition cost, duties, taxes and freight, and the indirect costs to design, develop, source and store the product until it is sold. Once cost has been determined, the Company's inventory is then stated at the lower of cost or market, with cost determined

using the first-in, first-out ("FIFO") method, which assumes that inventory quantities are sold in the order in which they are acquired.

The determination of the indirect charges and their allocation to the Company's finished goods inventories is complex and requires significant management judgment and estimates. If management made different judgments or utilized different estimates, then differences would result in the valuation of the Company's inventories and in the amount and timing of the Company's cost of goods sold and the resulting net income for the reporting period.

On a periodic basis, management reviews its inventory quantities on hand for obsolescence, physical deterioration, changes in price levels and the existence of quantities on hand which may not reasonably be expected to be sold within the Company's normal operating cycle. To the extent that any of these conditions is believed to exist or the market value of the inventory expected to be realized in the ordinary course of business is otherwise no longer as great as its carrying value, an allowance against the inventory value is established. To the extent that this allowance is established or increased during an accounting period, an expense is recorded in cost of goods sold in the Company's consolidated statements of income. Only when inventory for which an allowance has been established is later sold or is otherwise disposed is the allowance reduced accordingly. Significant management judgment is required in determining the amount and adequacy of this allowance. In the event that actual results differ from management's estimates or these estimates and judgments are revised in future periods, the Company may not fully realize the carrying value of its inventory or may need to establish additional allowances, either of which could materially impact the Company's financial position and results of operations.

Revenue Recognition: Sales are recorded when goods are shipped to customers and are reported net of allowances for estimated returns and allowances in the accompanying consolidated statements of income. Allowances for returns are estimated based on historical rates. Allowances for returns, cooperative advertising allowances, warehouse allowances, placement fees and volume rebates are recorded commensurate with sales activity or using the straight-line method, as appropriate, and the cost of such allowances is netted against sales in reporting the results of operations. Shipping and handling costs, net of amounts reimbursed by customers, are not material and are included in net sales.

Allowances Against Accounts Receivable: The Company's allowances against accounts receivable are primarily contractually agreed-upon deductions for items such as cooperative advertising and warehouse allowances, placement fees and volume rebates. These deductions are recorded throughout the year commensurate with sales activity or using the straight-line method, as appropriate. Funding of the majority of the Company's allowances occurs on a per-invoice basis. The allowances for customer deductions, which are netted against accounts receivable in the accompanying consolidated balance sheets, consist of agreed-upon cooperative advertising support, placement fees, markdowns and warehouse and other allowances. All such allowances are recorded as direct offsets to sales, and such costs are accrued commensurate with sales activities or as a straight-line amortization charge of an agreed-upon fixed amount, as appropriate to the circumstances for each arrangement. When a customer requests deductions, the allowances are reduced to reflect such payments or credits issued against the customer's account balance. The Company analyzes the components of the allowances for customer deductions monthly and adjusts the allowances to the appropriate levels. The timing of the funding requests for advertising support can cause the net balance in the allowance account to fluctuate from period to period. The timing of such funding requests should have a minimal impact on the consolidated statements of income since such costs are accrued commensurate with sales activity or using the straight-line method, as appropriate.

To reduce its exposure to credit losses, the Company assigns the majority of its trade accounts receivable under factoring agreements with CIT. In the event a factored receivable becomes uncollectible due to creditworthiness, CIT bears the risk of loss. The Company's management must make estimates of the uncollectibility of its non-factored accounts receivable, which it accomplishes by specifically analyzing accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in its customers' payment terms. The Company's provision for doubtful accounts is included in other marketing and administrative expenses in the accompanying consolidated statements of income and amounted to \$9,000 and \$73,000 for fiscal years 2015 and 2014, respectively.

The Company's accounts receivable at March 29, 2015 amounted to \$22.4 million, net of allowances of \$1.0 million. Of this amount, \$21.6 million was due from CIT under the factoring agreements, and an additional \$1.8 million was due from CIT as a negative balance outstanding under the revolving line of credit. The combined amount of \$23.4 million represents the maximum loss that the Company could incur if CIT failed completely to perform its obligations under the factoring agreements and the revolving line of credit.

Provision for Income Taxes: The Company's provision for income taxes includes all currently payable federal, state, local and foreign taxes that are based on the Company's taxable income and the change during the fiscal year in net deferred income tax assets and liabilities. The Company provides for deferred income taxes based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect when the differences are expected to reverse. The Company's policy is to recognize the effect that a change in enacted tax rates would have on net deferred income tax assets and liabilities in the period that the tax rates are changed.

Management evaluates items of income, deductions and credits reported on the Company's various federal and state income tax returns filed and recognizes the effect of positions taken on those income tax returns only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Based on its recent evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the accompanying consolidated financial statements. The Company's policy is to accrue interest expense and penalties as appropriate on any estimated unrecognized tax benefits as a charge to interest expense in the Company's consolidated statements of income.

The Company files income tax returns in the many jurisdictions in which it operates, including the U.S., several U.S. states and the People's Republic of China. The statute of limitations varies by jurisdiction; tax years open to federal or state audit or other adjustment as of March 29, 2015 were the tax years ended April 1, 2012, March 31, 2013, March 30, 2014 and March 29, 2015, as well as the tax year ended April 3, 2011 for several states.

Earnings Per Share: The Company calculates basic earnings per share by using a weighted average of the number of shares outstanding during the reporting periods. Diluted shares outstanding are calculated in accordance with the treasury stock method, which assumes that the proceeds from the exercise of all exercisable options would be used to repurchase shares at market value. The net number of shares issued after the exercise proceeds are exhausted represents the potentially dilutive effect of the exercisable options, which are added to basic shares to arrive at diluted shares.

Recently-Issued Accounting Standards: On April 7, 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, and which will lead to a presentation consistent with the long-standing presentation of debt discounts. The ASU will become effective for the first interim period of the fiscal year beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued, with a retrospective presentation within each balance sheet. When the Company's financing agreement with CIT was amended on May 21, 2013 to extend its maturity date to July 11, 2016, CIT did not charge the Company any debt issuance costs, and the Company's legal and other costs incurred in connection with the extension of the financing agreement were not material. As of March 29, 2015 and March 30, 2014, there was no balance owed on the Company's revolving line of credit or any other structured debt. If the Company again extends its financing agreement with CIT to beyond July 11, 2016, or otherwise enters into any new structured debt arrangements, and if there are debt issuance costs associated with such an extension or such new structured debt arrangements, the Company does not anticipate that the adoption by the Company of ASU No. 2015-03 on April 4, 2016 will have a material impact on the Company's consolidated financial statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which will replace most existing revenue guidance in GAAP when it becomes effective on the first day of the fiscal year beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the effect that the adoption of ASU 2014-09 will have on its financial position, results of operations and related disclosures.

The Company has determined that all other ASU's issued which had become effective as of March 29, 2015, or which will become effective at some future date, are not expected to have a material impact on the Company's consolidated financial statements.

Note 3 – Retirement Plan

The Company sponsors a defined contribution retirement savings plan with a cash or deferred arrangement (the "401(k) Plan"), as provided by Section 401(k) of the Internal Revenue Code ("Code"). The 401(k) Plan covers substantially all employees, who may elect to contribute a portion of their compensation to the 401(k) Plan, subject to maximum amounts and percentages as prescribed in the Code. Each calendar year, the Company's Board of Directors (the "Board") determines the portion, if any, of employee contributions that will be matched by the Company. For calendar years 2014 and 2013, the employer matching contributions represented an amount equal to 100% of the first 2% of employee contributions and 50% of the next 1% of employee contributions to the 401(k) Plan. If an employee separates from the Company prior to the full vesting of the funds in their account that represent the matching employer portion of their account, then the unvested portion of the matching employer portion of their account is forfeited when they take a distribution of their account. The Company utilizes such forfeitures as an offset to the aggregate matching contributions. The Company's matching contribution to the 401(k) Plan, net of the utilization of

forfeitures, was \$171,000 and \$153,000 for fiscal years 2015 and 2014, respectively.

Note 4 – Stock-based Compensation

The Company has two incentive stock plans, the 2006 Omnibus Incentive Plan (the “2006 Plan”) and the 2014 Omnibus Equity Compensation Plan (the “2014 Plan”). As a result of the approval of the 2014 Plan by the Company’s stockholders at the Company’s 2014 annual meeting, grants may no longer be issued under the 2006 Plan.

The Company believes that awards of long-term, equity-based incentive compensation will attract and retain directors, officers and employees of the Company and will encourage these individuals to contribute to the successful performance of the Company, which will lead to the achievement of the Company’s overall goal of increasing stockholder value. Awards granted under the 2014 Plan may be in the form of incentive stock options, non-qualified stock options, shares of restricted or unrestricted stock, stock units, stock appreciation rights, or other stock-based awards. Awards may be granted subject to the achievement of performance goals or other conditions, and certain awards may be payable in stock or cash, or a combination of the two. The 2014 Plan is administered by the Compensation Committee of the Board, which selects eligible employees, non-employee directors and other individuals to participate in the 2014 Plan and determines the type, amount, duration and other terms of individual awards. At March 29, 2015, 1.2 million shares of the Company’s common stock were available for future issuance under the 2014 Plan.

Stock-based compensation is calculated according to FASB ASC Topic 718, *Compensation – Stock Compensation*, which requires stock-based compensation to be accounted for using a fair-value-based measurement. The Company recorded \$862,000 and \$604,000 of stock-based compensation during fiscal years 2015 and 2014, respectively. The Company records the compensation expense associated with stock-based awards granted to individuals in the same expense classifications as the cash compensation paid to those same individuals. No stock-based compensation costs were capitalized as part of the cost of an asset as of March 29, 2015.

Stock Options: The following table represents stock option activity for fiscal years 2015 and 2014:

	Fiscal Year Ended March 29, 2015		Fiscal Year Ended March 30, 2014	
	Weighted- Average		Weighted- Average	
	Number of Options		Number of Options	
	Price	Outstanding	Price	Outstanding
Outstanding at Beginning of Period	\$5.76	185,000	\$5.23	145,000
Granted	7.90	165,000	6.14	100,000
Exercised	5.78	(20,000)	5.12	(60,000)
Outstanding at End of Period	6.83	330,000	5.76	185,000
Exercisable at End of Period	5.59	115,000	5.16	35,000

The total intrinsic value of the stock options exercised during fiscal years 2015 and 2014 was \$42,000 and \$126,000, respectively. As of March 29, 2015, the intrinsic value of the outstanding and exercisable stock options was \$321,000 and \$243,000, respectively.

The Company received no cash from the exercise of stock options during either fiscal year 2015 or 2014. Upon the exercise of stock options, participants may choose to surrender to the Company those shares from the option exercise necessary to satisfy the exercise amount and their income tax withholding obligations that arise from the option exercise. The effect on the cash flow of the Company from these “cashless” option exercises is that the Company remits cash on behalf of the participant to satisfy his or her income tax withholding obligations. The Company used cash of \$17,000 and \$49,000 to remit the required income tax withholding amounts from “cashless” option exercises during fiscal years 2015 and 2014, respectively.

To determine the estimated fair value of stock options granted, the Company uses the Black-Scholes-Merton valuation formula, which is a closed-form model that uses an equation to estimate fair value. The following table sets forth the assumptions used to determine that fair value, and the resulting grant-date fair value per option, of the non-qualified stock options which were awarded to certain employees during fiscal years 2015 and 2014, which options vest over a two-year period, assuming continued service.

	2015		2014	
Options issued	165,000		100,000	
Grant date	June 18, 2014		June 14, 2013	
Dividend yield	4.05	%	5.21	%
Expected volatility	30.00	%	35.00	%
Risk free interest rate	0.95	%	0.49	%

Edgar Filing: CROWN CRAFTS INC - Form 10-K

Contractual term (years)	10.00		10.00	
Expected term (years)	3.00		3.00	
Forfeiture rate	5.00	%	5.00	%
Exercise price (grant-date closing price) per option	\$7.90		\$6.14	
Fair value per option	\$1.19		\$0.98	

For the fiscal year ended March 29, 2015, the Company recognized compensation expense associated with stock options as follows (in thousands):

	Cost of Products Sold	Other Marketing & Administrative Expenses	Total Expense
<u>Options Granted in Fiscal Year</u>			
2013	\$ 12	\$ 12	\$ 24
2014	24	24	48
2015	39	32	71
Total stock option compensation	\$ 75	\$ 68	\$ 143

F-10

For the fiscal year ended March 30, 2014, the Company recognized compensation expense associated with stock options as follows (in thousands):

Options Granted in Fiscal Year	Cost of Products Sold	Other Marketing & Administrative Expenses	Total Expense
2012	\$ 13	\$ 11	\$ 24
2013	46	46	92
2014	18	18	36
Total stock option compensation	\$ 77	\$ 75	\$ 152

A summary of stock options outstanding and exercisable at March 29, 2015 is as follows:

Exercise Price	Number of Options Outstanding	Weighted-Avg. Remaining Contractual Life in Years	Weighted-Avg. Price of Options Outstanding	Number of Options Exercisable	Weighted-Avg. Price of Options Exercisable
\$ 4.81	15,000	6.20	\$ 4.81	15,000	\$ 4.81
\$ 5.42	60,000	7.21	\$ 5.42	60,000	\$ 5.42
\$ 6.14	90,000	8.21	\$ 6.14	40,000	\$ 6.14
\$ 7.90	165,000	9.22	\$ 7.90	-	-
	330,000	8.44	\$ 6.83	115,000	\$ 5.59

As of March 29, 2015, total unrecognized stock-option compensation costs amounted to \$138,000, which will be recognized as the underlying stock options vest over a weighted-average period of 7.2 months. The amount of future stock-option compensation expense could be affected by any future stock option grants and by the separation from the Company of any employee or director who has stock options that are unvested as of such individual's separation date.

Non-vested Stock Granted to Non-Employee Directors: The Board granted the following shares of non-vested stock to the Company's non-employee directors:

Number of Shares	Fair Value per Share	Grant Date
28,000	\$ 7.97	August 11, 2014
28,000	6.67	August 14, 2013
42,000	5.62	August 15, 2012
30,000	4.44	August 10, 2011

These shares vest over a two-year period, assuming continued service. The fair value of non-vested stock granted to the Company's non-employee directors was based on the closing price of the Company's common stock on the date of each grant.

In August 2014 and 2013, 28,000 and 36,000 shares, respectively, that had been granted to the Company's non-employee directors vested, having an aggregate value of \$223,000 and \$244,000, respectively.

Non-vested Stock Granted to Employees: During the three-month period ended June 27, 2010, the Board awarded 345,000 shares of non-vested stock to certain employees in a series of grants, each of which will vest only if (i) the closing price of the Company's common stock is at or above certain target levels for any ten trading days out of any period of 30 consecutive trading days and (ii) the respective employees remain employed through July 29, 2015. The Company, with the assistance of an independent third party, determined that the aggregate grant date fair value of the awards amounted to \$1.2 million.

As set forth below, the Board approved amendments to the grants that had been awarded to E. Randall Chestnut, Chairman, Chief Executive Officer and President of the Company and Nanci Freeman, Chief Executive Officer and President of CCIP. With the closing price conditions having been met for these awards, the original grants were amended to provide for the immediate vesting of a portion of the shares originally granted. The vesting of these awards was accelerated in order to preserve the deductibility of the associated compensation expense by the Company for income tax purposes. As a result of the acceleration of the vesting of these grants, the Company recognized the remaining compensation expense associated with the accelerated grants of \$12,000 and \$14,000 during the three-month periods ended December 28, 2014 and December 29, 2013, respectively. These amounts would otherwise have been recognized by the Company ratably through July 29, 2015. Mr. Chestnut and Ms. Freeman surrendered to the Company the shares necessary to satisfy the income tax withholding obligations that arose from the vesting of the shares, and the Company paid \$111,000 and \$47,000 during the three-month periods ended December 28, 2014 and December 29, 2013, respectively, to the appropriate taxing authorities on their behalf.

Amendment Date	Grantee	Closing Price per Share Condition of Grant	Shares Awarded in Original Grant	Shares Vested	Aggregate Value of Shares Vested	Shares Surrendered to Satisfy Income Tax Withholding Obligations
November 24, 2014	E. Randall Chestnut	\$ 6.00	75,000	10,000	\$ 72,000	4,795
November 24, 2014	Nanci Freeman	\$ 5.00	20,000	20,000	\$ 145,000	10,516
November 5, 2013	E. Randall Chestnut	\$ 5.00	75,000	13,000	\$ 98,000	6,234

Performance Bonus Plan: The Company maintains a performance bonus plan for certain executive officers that provides for awards of cash or shares of common stock in the event that the aggregate average market value of the common stock during the relevant fiscal year, plus the amount of cash dividends paid in respect of the common stock during such period, increases. These individuals may instead be awarded cash, if and to the extent that an insufficient number of shares of common stock are available for issuance from all shareholder-approved, equity-based plans or programs of the Company in effect. The performance bonus plan also imposes individual limits on awards and provides that shares of common stock that may be awarded will vest over a two-year period. Thus, compensation expense associated with performance bonus plan awards are recognized over a three-year period – the fiscal year in which the award is earned, plus the two-year vesting period.

In connection with the performance bonus plan, during fiscal year 2015, the Company, in respect of fiscal year 2014, granted to certain executive officers 188,232 shares of common stock at a fair value of \$5.65 per share. In connection with these awards, the Company recognized compensation expense of \$354,000 during each of fiscal years 2014 and 2015, and will recognize \$354,000 in compensation expense during fiscal year 2016.

In connection with the performance bonus plan, during fiscal year 2014, the Company, in respect of fiscal year 2013, granted to certain executive officers 17,048 shares of common stock with a fair value of \$5.47 per share and a cash award of \$258,000. Of the total compensation expense of \$351,000, \$196,000 and \$155,000 were recognized during

fiscal years 2014 and 2013, respectively. Although there are restrictions as to the subsequent transfer of the shares of stock awarded, ownership in the stock was vested upon issuance. To satisfy the income tax withholding obligations that arose from the issuance of the shares, the employees surrendered 8,549 shares to the Company and the Company paid \$54,000 to the appropriate taxing authorities on their behalf.

For the fiscal year ended March 29, 2015, the Company recognized compensation expense associated with non-vested stock grants, which is included in other marketing and administrative expenses in the accompanying consolidated statements of income, as follows (in thousands):

<u>Stock Granted in Fiscal Year</u>	Employees	Non-employee Directors	Total Expense
2011	\$ 170	\$ -	\$ 170
2013	-	26	26
2014	-	94	94
2015	354	75	429
Total stock grant compensation	\$ 524	\$ 195	\$ 719

For the fiscal year ended March 30, 2014, the Company recognized compensation expense associated with non-vested stock grants, which is included in other marketing and administrative expenses in the accompanying consolidated statements of income, as follows (in thousands):

<u>Stock Granted in Fiscal Year</u>	Employees	Non-employee Directors	Total Expense
2011	\$ 182	\$ -	\$ 182
2012	-	22	22
2013	-	92	92
2014	93	63	156
Total stock grant compensation	\$ 275	\$ 177	\$ 452

As of March 29, 2015, total unrecognized compensation expense related to the Company's non-vested stock grants was \$583,000, which will be recognized over the remaining portion of the respective vesting periods associated with each block of grants, such grants having a weighted average vesting term of 5.2 months. The amount of future compensation expense related to non-vested stock grants could be affected by any future non-vested stock grants and by the separation from the Company of any individual who has unvested grants as of such individual's separation date.

Note 5 – Inventories

Major classes of inventory were as follows (in thousands):

	March 29, 2015	March 30, 2014
Raw Materials	\$36	\$47
Finished Goods	15,432	13,560
Total inventory	\$15,468	\$13,607

Note 6 – Goodwill, Customer Relationships and Other Intangible Assets

Goodwill: Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired by the Company in business combinations. The Company considers CCIP and Hamco to each be a reporting unit of the Company for the purpose of presenting and testing for the impairment of goodwill. The goodwill of the reporting units of the Company at March 29, 2015 and March 30, 2014 amounted to \$24.0 million and is reported in the accompanying consolidated balance sheets net of accumulated impairment charges of \$22.9 million, for a net reported balance of \$1.1 million.

The Company tests the fair value of the goodwill, if any, within its reporting units annually as of the first day of the Company's fiscal year. An additional interim impairment test must be performed during the year whenever an event or change in circumstances occurs that suggest that the fair value of the goodwill of either of the reporting units of the Company has more likely than not (defined as having a likelihood of greater than 50%) fallen below its carrying value. The annual or interim impairment test is performed by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If such qualitative factors so indicate, then the impairment test is continued in a two-step approach. The first step is the estimation of the fair value of each reporting unit. If step one indicates that the fair value of the reporting unit exceeds its carrying value, then a potential impairment exists, and the second step is then performed to measure the amount of an impairment charge, if any. In the second step, these estimated fair values are used as the hypothetical purchase price for the reporting units, and an allocation of such hypothetical purchase price is made to the identifiable tangible and intangible assets and assigned liabilities of the reporting units. The impairment charge is calculated as the amount, if any, by which the carrying value of the goodwill exceeds the implied amount of goodwill that results from this hypothetical purchase price allocation. The annual impairment test of the fair value of the goodwill of the reporting units of the Company was performed as of March 31, 2014 and the Company concluded that the fair value of the goodwill of the Company's reporting units substantially exceeded their carrying values as of that date.

Other Intangible Assets: Other intangible assets as of March 29, 2015 consisted primarily of the capitalized costs of acquired businesses, other than tangible assets, goodwill and assumed liabilities. The carrying amount and accumulated amortization of the Company's other intangible assets as of March 29, 2015 and March 30, 2014, the amortization expense for the fiscal years then ended and the classification of such amortization expense within the accompanying consolidated statements of income are as follows (in thousands):

	Gross Amount		Accumulated Amortization		Amortization Expense Fiscal Year Ended	
	March 29, 2015	March 30, 2014	March 29, 2015	March 30, 2014	March 29, 2015	March 30, 2014
Tradename and trademarks	\$1,987	\$1,987	\$801	\$669	\$132	\$133
Licenses and designs	3,571	3,571	3,571	3,571	-	2
Non-compete covenants	454	454	410	391	19	55
Patents	1,601	1,601	350	242	108	85
Customer relationships	5,411	5,411	3,385	2,903	482	483
Total other intangible assets	\$13,024	\$13,024	\$8,517	\$7,776	\$741	\$758

Classification within the accompanying consolidated statements of income:

Cost of products sold	\$19	\$57
Other marketing and administrative expenses	722	701
Total amortization expense	\$741	\$758

The Company estimates that its amortization expense will be \$729,000, \$729,000, \$572,000, 351,000 and \$351,000 in fiscal years 2016, 2017, 2018, 2019 and 2020, respectively.

Note 7 - Financing Arrangements

Factoring Agreements: The Company assigns the majority of its trade accounts receivable to CIT pursuant to factoring agreements, which have expiration dates that are coterminous with that of the financing agreement described below. Under the terms of the factoring agreements, CIT remits customer payments to the Company as such payments are received by CIT.

CIT bears credit losses with respect to assigned accounts receivable from approved shipments, while the Company bears the responsibility for adjustments from customers related to returns, allowances, claims and discounts. CIT may at any time terminate or limit its approval of shipments to a particular customer. If such a termination or limitation were to occur, the Company would either assume the credit risk for shipments to the customer after the date of such termination or limitation or cease shipments to the customer. Factoring fees, which are included in marketing and administrative expenses in the accompanying consolidated statements of income, were \$673,000 and \$461,000 during fiscal years 2015 and 2014, respectively. There were no advances on the factoring agreements at either March 29, 2015 or March 30, 2014.

Credit Facility: The Company's credit facility at March 29, 2015 consisted of a revolving line of credit under a financing agreement with CIT of up to \$26.0 million, which includes a \$1.5 million sub-limit for letters of credit, bearing interest at the rate of prime minus 0.50% or LIBOR plus 2.00%. The financing agreement matures on July 11, 2016 and is secured by a first lien on all assets of the Company. At March 29, 2015, the Company had elected to pay interest on balances owed under the revolving line of credit, if any, under the LIBOR option. The financing agreement also provides for the payment by CIT to the Company of interest at the rate of prime minus 2.00%, which was 1.25% at March 29, 2015, on daily negative balances held at CIT.

Under the financing agreement, a monthly fee is assessed based on 0.125% of the average unused portion of the \$26.0 million revolving line of credit, less any outstanding letters of credit (the "Commitment Fee"). The Commitment Fee amounted to \$33,000 and \$41,000 during fiscal years 2015 and 2014, respectively. At March 29, 2015, there was no balance owed on the revolving line of credit, there was no letter of credit outstanding and full amount of the credit facility of \$26.0 million was available under the revolving line of credit based on the Company's eligible accounts receivable and inventory balances.

The financing agreement contains usual and customary covenants for agreements of that type, including limitations on other indebtedness, liens, transfers of assets, investments and acquisitions, merger or consolidation transactions, transactions with affiliates, and changes in or amendments to the organizational documents for the Company and its subsidiaries. The Company believes it was in compliance with these covenants as of March 29, 2015.

Note 8 – Income Taxes

The Company's income tax provision for fiscal years 2015 and 2014 is summarized below (in thousands):

	Fiscal year ended March 29, 2015		
	Current	Deferred	Total
Federal	\$3,255	\$ (280)	\$2,975
State	574	(48)	526
Other - net, including foreign	(194)	135	(59)
Income tax expense (benefit)	3,635	(193)	3,442
Income tax reported in stockholders' equity related to stock-based compensation	(69)	-	(69)
Total	\$3,566	\$ (193)	\$3,373

	Fiscal year ended March 30, 2014		
	Current	Deferred	Total
Federal	\$3,571	\$ (628)	\$2,943
State	750	(115)	635
Other - net, including foreign	(3)	-	(3)
Income tax expense (benefit)	4,318	(743)	3,575
Income tax reported in stockholders' equity related to stock-based compensation	(33)	-	(33)
Total	\$4,285	\$ (743)	\$3,542

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 29, 2015 and March 30, 2014 are as follows (in thousands):

	2015	2014
Deferred tax assets:		
Employee wage and benefit accruals	\$787	\$849
Accounts receivable and inventory reserves	485	356
Deferred rent	48	6
Intangible assets	704	890
State net operating loss carryforwards	824	904

Stock-based compensation	556	391
Total gross deferred tax assets	3,404	3,396
Less valuation allowance	(824)	(904)
Deferred tax assets after valuation allowance	2,580	2,492
Deferred tax liabilities:		
Prepaid expenses	(352)	(412)
Property, plant and equipment	(127)	(172)
Total deferred tax liabilities	(479)	(584)
Net deferred income tax assets	\$2,101	\$1,908

In assessing the probability that the Company's deferred tax assets will be realized, management of the Company has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the future periods in which the temporary differences giving rise to the deferred tax assets will become deductible. The Company has also considered the scheduled inclusion into taxable income in future periods of the temporary differences giving rise to the Company's deferred tax liabilities. The valuation allowance as of March 29, 2015 and March 30, 2014 was related to state net operating loss carryforwards that the Company does not expect to be realized. Based upon the Company's expectations of the generation of sufficient taxable income during future periods, the Company believes that it is more likely than not that the Company will realize its deferred tax assets, net of the valuation allowance and the deferred tax liabilities.

Management evaluates items of income, deductions and credits reported on the Company's various federal and state income tax returns filed, and recognizes the effect of positions taken on those income tax returns only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Based on its recent evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. The Company's policy is to accrue interest expense and penalties as appropriate on any estimated unrecognized tax benefits as a charge to interest expense in the Company's consolidated statements of income.

The Company's provision for income taxes on continuing operations is based upon effective tax rates of 37.6% and 38.3% in fiscal years 2015 and 2014, respectively. These effective tax rates are the sum of the top U.S. statutory federal income tax rate and a composite rate for state income taxes, net of federal tax benefit, in the various states in which the Company operates.

The following table reconciles income tax expense on income from continuing operations at the U.S. federal income tax statutory rate to the net income tax provision reported for fiscal years 2015 and 2014 (in thousands):

	2015	2014
Tax expense at statutory rate (34%)	\$3,114	\$3,178
State income taxes, net of Federal income tax benefit	347	419
Tax credits	(24)	(12)
Net tax effect of expenses deductible only for tax purposes	(6)	(7)
Other - net, including foreign	11	(3)
Income tax expense	\$3,442	\$3,575

Note 9 – Stockholders' Equity

Dividends: The holders of the Company's common stock are entitled to receive dividends when and as declared by the Board. Aggregate cash dividends of \$0.32 per share, amounting to \$3.2 million, were declared during each of fiscal years 2015 and 2014. The Company's financing agreement with CIT permits the payment by the Company of cash dividends on its common stock without limitation, provided there is no default before or as a result of the payment of such dividends.

Stock Repurchases: The Company acquired treasury shares by way of the surrender to the Company from several employees shares of common stock to satisfy the exercise price and income tax withholding obligations relating to the

exercise of stock options and the vesting of stock. In this manner, the Company acquired 32,000 treasury shares during the fiscal year ended March 29, 2015 at a weighted-average market value of \$7.57 per share and acquired 65,000 treasury shares during the fiscal year ended March 30, 2014 at a weighted-average market value of \$7.07 per share.

Note 10 - Major Customers

The table below sets forth those customers that represented more than 10% of the Company’s gross sales during fiscal years ended March 29, 2015 and March 30, 2014.

	2015		2014	
Wal-Mart Stores, Inc.	36 %		41 %	
Toys R Us	25 %		19 %	

Note 11 – Legal Settlement

BreathableBaby, LLC (“BreathableBaby”) filed a complaint against the Company and CCIP on January 11, 2012 in the United States District Court for the District of Minnesota, which alleged that CCIP’s mesh crib liner infringed upon BreathableBaby’s patent rights relating to its air permeable infant bedding technology. On December 5, 2014, the Company reached a final settlement with BreathableBaby to resolve this matter under the terms of which the Company will be permitted to manufacture and sell a redesigned mesh crib liner product. In connection with the settlement, the Company made a one-time payment of \$850,000 to BreathableBaby on December 11, 2014, which has been classified as legal expense in the consolidated statements of income.

Note 12 – Commitments and Contingencies

Total rent expense was \$1.4 million during each of fiscal years ended March 29, 2015 and March 30, 2014. The Company's commitment for minimum guaranteed rental payments under its lease agreements as of March 29, 2015 is \$6.3 million, consisting of \$1.2 million due in each of fiscal years 2016, 2017, 2018, 2019 and 2020, and \$346,000 due in fiscal year 2021.

Total royalty expense was \$8.7 million and \$7.5 million for fiscal years 2015 and 2014, respectively. The Company's commitment for minimum guaranteed royalty payments under its license agreements as of March 29, 2015 is \$7.7 million, consisting of \$3.1 million, \$2.7 million and \$1.9 million due in fiscal years 2016, 2017 and 2018, respectively.

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

Note 13 – Subsequent Events

The Company has evaluated events that have occurred between March 29, 2015 and the date that the accompanying financial statements were issued, and has determined that there are no material subsequent events that require disclosure.