

CROWN CRAFTS INC  
Form 10-Q  
November 12, 2015  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended September 27, 2015**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 1-7604**

**Crown Crafts, Inc.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation)

**58-0678148**  
(IRS Employer Identification No.)

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**916 South Burnside Avenue, Gonzales, LA 70737**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(225) 647-9100**

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 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 number of shares of common stock, \$0.01 par value, of the registrant outstanding as of October 20, 2015 was 9,996,527.

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CROWN CRAFTS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 27, 2015 AND MARCH 29, 2015

	September 27, 2015	March 29, 2015
		(Unaudited)
		(amounts in thousands, except share and per share amounts)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$6,139	\$1,807
Accounts receivable (net of allowances of \$1,226 at September 27, 2015 and \$1,000 at March 29, 2015):		
Due from factor	15,960	21,563
Other	1,958	807
Inventories	17,564	15,468
Prepaid expenses	1,185	1,906
Deferred income taxes	769	968
<b>Total current assets</b>	<b>43,575</b>	<b>42,519</b>
<b>Property, plant and equipment - at cost:</b>		
Vehicles	242	235
Leasehold improvements	233	230
Machinery and equipment	2,893	2,836
Furniture and fixtures	797	755
<b>Property, plant and equipment - gross</b>	<b>4,165</b>	<b>4,056</b>
Less accumulated depreciation	3,647	3,528
<b>Property, plant and equipment - net</b>	<b>518</b>	<b>528</b>
<b>Finite-lived intangible assets - at cost:</b>		
Customer relationships	5,534	5,411

Other finite-lived intangible assets	3,686	7,613
<b>Finite-lived intangible assets - gross</b>	<b>9,220</b>	<b>13,024</b>
Less accumulated amortization	4,961	8,517
<b>Finite-lived intangible assets - net</b>	<b>4,259</b>	<b>4,507</b>
Goodwill	1,126	1,126
Deferred income taxes	926	1,133
Other	157	133
<b>Total Assets</b>	<b>\$50,561</b>	<b>\$49,946</b>

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

Accounts payable	\$6,381	\$4,472
Accrued wages and benefits	1,119	2,265
Accrued royalties	2,017	1,581
Dividends payable	799	805
Income taxes currently payable	26	1,021
Other accrued liabilities	197	230
<b>Total current liabilities</b>	<b>10,539</b>	<b>10,374</b>

**Commitments and contingencies**

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**Shareholders' equity:**

Common stock - \$0.01 par value per share; Authorized 40,000,000 shares at September 27, 2015 and March 29, 2015; Issued 12,139,334 shares at September 27, 2015 and 12,030,302 shares at March 29, 2015	121	120
Additional paid-in capital	49,590	48,561
Treasury stock - at cost - 2,147,987 shares at September 27, 2015 and 1,964,886 shares at March 29, 2015	(9,857 )	(8,390 )
Retained Earnings (Accumulated deficit)	168	(719 )
<b>Total shareholders' equity</b>	<b>40,022</b>	<b>39,572</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$50,561</b>	<b>\$49,946</b>

*See notes to unaudited condensed consolidated financial statements.*

## CROWN CRAFTS, INC. AND SUBSIDIARIES

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 27, 2015 AND SEPTEMBER 28, 2014

(amounts in thousands, except per share amounts)

	Three-Month Periods Ended		Six-Month Periods Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net sales	\$20,716	\$ 20,441	\$38,574	\$ 36,145
Cost of products sold	15,010	14,595	28,087	26,017
Gross profit	5,706	5,846	10,487	10,128
Legal expense	38	1,109	72	1,301
Other marketing and administrative expenses	3,070	3,398	6,297	6,368
Income from operations	2,598	1,339	4,118	2,459
Other income (expense):				
Interest expense	(31 )	(9 )	(39 )	(17 )
Interest income	15	6	30	16
Gain on sale of property, plant and equipment	15	-	15	-
Foreign exchange loss	(10 )	(14 )	(9 )	(12 )
Other - net	(1 )	(1 )	3	2
Income before income tax expense	2,586	1,321	4,118	2,448
Income tax expense	1,021	491	1,626	915
Net income	\$1,565	\$ 830	\$2,492	\$ 1,533
Weighted average shares outstanding:				
Basic	10,017	10,064	10,038	10,025
Effect of dilutive securities	45	37	45	41
Diluted	10,062	10,101	10,083	10,066
Earnings per share:				
Basic	\$0.16	\$ 0.08	\$0.25	\$ 0.15
Diluted	\$0.16	\$ 0.08	\$0.25	\$ 0.15
Cash dividends declared per share	\$0.08	\$ 0.08	\$0.16	\$ 0.16

See notes to unaudited condensed consolidated financial statements.



## CROWN CRAFTS, INC. AND SUBSIDIARIES

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX-MONTH PERIODS ENDED SEPTEMBER 27, 2015 AND SEPTEMBER 28, 2014

	Six-Month Periods Ended September 27, 2015 (amounts in thousands)	September 28, 2014
<b>Operating activities:</b>		
Net income	\$ 2,492	\$ 1,533
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	157	152
Amortization of intangibles	371	377
Deferred income taxes	406	(336 )
Gain on sale of property, plant and equipment	(15 )	-
Stock-based compensation	479	427
Tax shortfall from stock-based compensation	(3 )	-
Changes in assets and liabilities:		
Accounts receivable	4,452	2,768
Inventories	(2,096 )	(5,448 )
Prepaid expenses	721	304
Other assets	(24 )	(35 )
Accounts payable	1,909	2,960
Accrued liabilities	(1,598 )	625
<b>Net cash provided by operating activities</b>	<b>7,251</b>	<b>3,327</b>
<b>Investing activities:</b>		
Capital expenditures for property, plant and equipment	(163 )	(120 )

Proceeds from sale of property, plant and equipment	31	-
Capital expenditures for purchased intangible assets	(123 )	-
<b>Net cash used in investing activities</b>	(255 )	(120 )
<b>Financing activities:</b>		
Purchase of treasury stock	(1,467 )	-
Issuance of common stock	147	-
Excess tax benefit from stock-based compensation	267	29
Dividends paid	(1,611 )	(1,593 )
<b>Net cash used in financing activities</b>	(2,664 )	(1,564 )
<b>Net increase in cash and cash equivalents</b>	4,332	1,643
Cash and cash equivalents at beginning of period	1,807	560
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,139</b>	<b>\$ 2,203</b>
<b>Supplemental cash flow information:</b>		
Income taxes paid, net of refunds received	\$ 2,548	\$ 2,056
Interest paid, net of interest received	9	2
<b>Noncash financing activities:</b>		
Dividends declared but unpaid	(799 )	(806 )
Compensation paid as common stock	140	354

*See notes to unaudited condensed consolidated financial statements.*



CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 27, 2015 AND SEPTEMBER 28, 2014

**Note 1 – Summary of Significant Accounting Policies**

*Basis of Presentation:* The accompanying unaudited consolidated financial statements include the accounts of Crown Crafts, Inc. (the “Company”) and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) applicable to interim financial information as promulgated by the Financial Accounting Standards Board (“FASB”). Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. References herein to GAAP are to topics within the FASB Accounting Standards Codification (the “FASB ASC”), which has been established by the FASB as the authoritative source for GAAP to be applied by nongovernmental entities.

In the opinion of management, the interim unaudited consolidated financial statements contained herein include all adjustments necessary to present fairly the financial position of the Company as of September 27, 2015 and the results of its operations and cash flows for the periods presented. Such adjustments include normal, recurring accruals, as well as the elimination of all significant intercompany balances and transactions. Operating results for the three and six-month periods ended September 27, 2015 are not necessarily indicative of the results that may be expected by the Company for its fiscal year ending April 3, 2016. For further information, refer to the Company’s consolidated financial statements and notes thereto included in the Company’s annual report on Form 10-K for the fiscal year ended March 29, 2015.

*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 that is nearest to or on March 31. References herein to “fiscal year 2016” or “2016” represent the 53-week period ending April 3, 2016 and references herein to “fiscal year 2015” or “2015” represent the 52-week period ended March 29, 2015.

*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 the disclosure of contingent assets and liabilities as of the date of the accompanying consolidated balance sheets and the reported amounts of revenues and expenses during the periods presented on the accompanying 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 products which necessitates the establishment of inventory reserves and allocates indirect costs to inventory based on an estimated percentage of the supplier purchase price, each of which is highly subjective. Actual results could differ from those estimates.

*Cash and Cash Equivalents:* The Company considers highly-liquid investments, if any, 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 the fair value.

*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 those 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 \$264,000 and \$232,000 for the three-month periods ended September 27, 2015 and September 28, 2014, respectively, and \$569,000 and \$466,000 for the six-month periods ended September 27, 2015 and September 28, 2014, respectively.

*Segment and Related Information:* The Company operates primarily in one principal segment, infant, toddler and juvenile 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 the three and six-month periods ended September 27, 2015 and September 28, 2014 are as follows (in thousands):

	<b>Three-Month Periods Ended</b>		<b>Six-Month Periods Ended</b>	
	<b>September 27,</b>	<b>September 28,</b>	<b>September 27,</b>	<b>September 28,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Bedding, blankets and accessories	\$14,365	\$ 15,387	\$26,635	\$ 26,188
Bibs, bath and disposable products	6,351	5,054	11,939	9,957
Total net sales	\$20,716	\$ 20,441	\$38,574	\$ 36,145

*Revenue Recognition:* Sales are recorded when products 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 consolidated balance sheets, consist of agreed upon 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 such 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 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 no 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 the exposure to credit losses and to enhance the predictability of its cash flows, 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 to evaluate the adequacy of the Company's allowance for doubtful accounts, which is accomplished 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 accounts receivable as of September 27, 2015 was \$17.9 million, net of allowances of \$1.2 million. Of this amount, \$16.0 million was due from CIT under the factoring agreements, and an additional \$5.9 million was due from CIT as a negative balance outstanding under the revolving line of credit, and \$160,000 was due from CIT as the United States Dollar equivalent of amounts that had been collected, but not yet remitted, under Canadian factoring agreements with CIT. The combined amount of \$22.1 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.

*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 in the accompanying consolidated statements of income and amounted to \$2.2 million and \$2.0 million for the three-month periods ended September 27, 2015 and September 28, 2014, respectively, and \$4.0 million and \$3.4 million for the six-month periods ended September 27, 2015 and September 28, 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 associated costs in connection with applications for patents. 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 for the underlying product is available to the Company. The Company also capitalizes legal and other costs incurred in the protection or defense of the Company's patents to the extent that it is believed that the future economic benefit of the patent will be maintained or increased and a successful outcome of the litigation is probable. Capitalized patent protection or defense costs are amortized over the remaining expected life of the related patent. The Company's assessment of the 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.

*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 accounting periods reported. The basis of accounting for inventories is cost, which includes the direct supplier acquisition cost, duties, taxes and freight, and the indirect costs incurred to design, develop, source and store the products until they are 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 indirect costs allocated to inventory are done so as a percentage of projected annual supplier purchases and can impact the Company's results of operations as purchase volume fluctuates from quarter to quarter and year to year. The difference between indirect costs incurred and the indirect costs allocated to inventory creates a burden variance, which is generally favorable when actual inventory purchases exceed planned inventory purchases, and is generally unfavorable when actual inventory purchases are lower than planned inventory purchases. While the burden variance can be significant during interim periods, it is generally not material by the end of each fiscal year. The determination of the indirect charges and their allocation to the Company's finished products 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, the amount and timing of the Company's cost of products sold and the resulting net income for any accounting period.

On a periodic basis, management reviews the Company's 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 normal operating cycle of the Company's operations. 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 of 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.

*Provision for Income Taxes:* The Company's provision for income taxes includes all currently payable federal, state, local and foreign taxes and is based upon the Company's estimated annual effective tax rate, which is based on the Company's forecasted annual pre-tax income, as adjusted for certain expenses within the consolidated statements of income that will never be deductible on the Company's tax returns and certain charges expected to be deducted on the Company's tax returns that will never be deducted on the consolidated statements of income, multiplied by the statutory tax rates for the various jurisdictions in which the Company operates and reduced by certain anticipated tax credits. 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.

The Company files income tax returns in the many jurisdictions within which it operates, including the U.S., several U.S. states and the People's Republic of China. The statute of limitations for the Company's filed income tax returns varies by jurisdiction; tax years open to federal, state or Chinese audit or other adjustment as of September 27, 2015 were the fiscal years ended April 1, 2012, March 31, 2013, March 30, 2014 and March 29, 2015, as well as the fiscal 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 options, which are added to basic shares to arrive at diluted shares.

*Recently-Issued Accounting Standards:* On May 28, 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will replace most existing GAAP guidance on revenue recognition, and which will require the use of more estimates and judgments, as well as additional disclosures. When issued, ASU No. 2014-09 was to become effective in the fiscal year beginning after December 15, 2016, but on August 12, 2015 the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which provides for a one-year deferral of the effective date to apply the guidance of ASU No. 2014-09. Early adoption was originally not permitted in ASU No. 2014-09, but ASU No. 2015-14 permits early adoption in the first interim period of the fiscal year beginning after December 15, 2016. The Company is currently evaluating the effect that its adoption of ASUs 2014-09 and 2015-14 on April 3, 2017 will have on its financial position, results of operations and related disclosures.

On July 22, 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which will clarify that after an entity determines the cost of its inventory, the subsequent measurement and presentation of such inventory should be at the lower of cost or net realizable value. The ASU will become effective for the first interim period of the fiscal year beginning after December 15, 2016. The ASU should be applied prospectively, and early adoption is permitted. The Company intends to adopt ASU No. 2015-11 on April 3, 2017, and is currently evaluating the effect that the adoption of the ASU will have on its financial position, results of operations

and related disclosures.

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. Final guidance in this area, issued as ASU No. 2015-15 on August 18, 2015, includes an SEC staff announcement that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to revolving debt arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the revolving debt arrangement. ASU No. 2015-03, as appended by ASU No. 2015-15, 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 September 27, 2015 and March 29, 2015, there was no balance owed on the Company's revolving line of credit and the Company had no other structured debt. If the Company and CIT again amend the financing agreement with CIT to extend its maturity date to beyond July 11, 2016, or if the Company otherwise enters into any new structured debt arrangements, and if there are any debt issuance costs associated with such an amendment or such new structured debt arrangements, then the Company does not anticipate that the adoption by the Company of ASU No. 2015-03, as appended by ASU No. 2015-15, on April 4, 2016 will have a material impact on the Company's financial position, results of operations and related disclosures.



**Note 2 – Goodwill, Customer Relationships and Other Intangible Assets**

*Goodwill:* Goodwill represents the excess of the purchase price over the fair value of net identifiable assets acquired in business combinations. The Company considers its wholly-owned subsidiaries, Crown Crafts Infant Products, Inc. (“CCIP”) and Hamco, Inc. (“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 as of September 27, 2015 and March 29, 2015 amounted to \$24.0 million, and is reflected 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 is performed during the year whenever an event or change in circumstances occurs that suggests 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 to ensure that its fair value exceeds its carrying value. If step one indicates that a potential impairment exists, then the second step is 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 30, 2015, 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 at September 27, 2015 and March 29, 2015 consisted primarily of identifiable assets acquired in business combinations, other than tangible assets and goodwill. The gross amount and accumulated amortization of the Company’s other intangible assets as of September 27, 2015 and March 29, 2015, the amortization expense for the three and six-month periods ended September 27, 2015 and September 28, 2014 and the classification of such amortization expense within the accompanying unaudited consolidated statements of income are as follows (in thousands):

<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>Amortization Expense</b>	
		<b>Three-Month Periods Ended</b>	<b>Six-Month Periods Ended</b>

	September 27, 2015	March 29, 2015	September 27, 2015	March 29, 2015	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Tradename and trademarks	\$1,987	\$1,987	\$867	\$801	\$33	\$ 33	\$66	\$ 66
Licenses and designs	-	3,571	-	3,571	-	-	-	-
Non-compete covenants	98	454	57	410	1	2	3	16
Patents	1,601	1,601	404	350	27	27	54	54
Customer relationships	5,534	5,411	3,633	3,385	128	121	248	241
Total other intangible assets	\$9,220	\$13,024	\$4,961	\$8,517	\$189	\$ 183	\$371	\$ 377

Classification within the accompanying consolidated statements of income:

Cost of products sold					\$1	\$ 2	\$3	\$ 16
Other marketing and administrative expenses					188	181	368	361
Total amortization expense					\$189	\$ 183	\$371	\$ 377

### Note 3 – Inventories

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

	September 27, 2015	March 29, 2015
Raw Materials	\$ 37	\$36
Finished Goods	17,527	15,432
Total inventory	\$ 17,564	\$15,468

**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 Company’s Board of Directors (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 September 27, 2015, 1.0 million shares of the Company’s common stock were available for future issuance under the 2014 Plan.

Stock-based compensation expense is calculated according to FASB ASC Topic 718, *Compensation – Stock Compensation*, which requires stock-based compensation expense to be accounted for using a fair-value-based measurement. The Company recorded stock-based compensation expense of \$223,000 and \$212,000 during the three-month periods ended September 27, 2015 and September 28, 2014, respectively, and recorded \$479,000 and \$427,000 during the six-month periods ended September 27, 2015 and September 28, 2014, respectively. The Company records the compensation expense related to stock-based awards granted to individuals in the same classifications as the cash compensation paid to those same individuals. No stock-based compensation costs have been capitalized as part of the cost of an asset as of September 27, 2015.

*Stock Options:* The following table represents stock option activity for the three and six-month periods ended September 27, 2015 and September 28, 2014:

	<b>Six-Month Period Ended September 27, 2015</b>		<b>Six-Month Period Ended September 28, 2014</b>	
	<b>Weighted- Average Number of Exercis Options Price Outstanding</b>		<b>Weighted- Average Number of Exercis Options Price Outstanding</b>	
Outstanding at Beginning of Period	\$6.83	330,000	\$5.76	185,000

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Granted	8.38	110,000	7.90	165,000
Exercised	6.57	(22,500 )	-	-
Outstanding at End of Period	7.25	417,500	6.77	350,000
Exercisable at End of Period	6.46	225,000	5.62	135,000

As of September 27, 2015, the intrinsic value of the outstanding and exercisable stock options was \$373,000 and \$360,000, respectively. The total intrinsic value of the stock options exercised during each of the three and six-month periods ended September 27, 2015 was \$33,000. The Company received no cash from the exercise of stock options during each of the three and six-month periods ended September 27, 2015. 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 \$12,000 to remit the required income tax withholding amounts from “cashless” option exercises during each of the three and six-month periods ended September 27, 2015. No stock options were exercised during the three and six-month periods ended September 28, 2014.

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 the fair value of the non-qualified stock options which were awarded to certain employees during the six-month periods ended September 27, 2015 and September 28, 2014, which options vest over a two-year period, assuming continued service.

	<b>Six-Month Periods Ended</b>			
	<b>September 27,</b>		<b>September 28,</b>	
	<b>2015</b>		<b>2014</b>	
Options issued	110,000		165,000	
Grant date	June 12, 2015		June 18, 2014	
Dividend yield	3.82	%	4.05	%
Expected volatility	20.00	%	30.00	%
Risk free interest rate	1.12	%	0.95	%
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	\$8.38		\$7.90	
Fair value per option	\$0.77		\$1.19	

For the three-month periods ended September 27, 2015 and September 28, 2014, the Company recognized compensation expense associated with stock options as follows (in thousands):

	<b>Three-Month Period Ended</b>			<b>Three-Month Period Ended</b>		
	<b>September 27, 2015</b>			<b>September 28, 2014</b>		
<b>Options Granted in Fiscal Year</b>	<b>Cost of</b>	<b>Other Marketing</b>	<b>Total</b>	<b>Cost of</b>	<b>Other Marketing</b>	<b>Total</b>
	<b>Product</b>	<b>Administrative</b>		<b>Product</b>	<b>Administrative</b>	
	<b>Sold</b>	<b>Expenses</b>	<b>Expense</b>	<b>Sold</b>	<b>Expenses</b>	<b>Expense</b>
2014	\$-	\$ -	\$ -	\$6	\$ 6	\$ 12
2015	12	11	23	12	10	22
2016	5	4	9	-	-	-
Total stock option compensation	\$17	\$ 15	\$ 32	\$18	\$ 16	\$ 34

For the six-month periods ended September 27, 2015 and September 28, 2014, the Company recognized compensation expense associated with stock options as follows (in thousands):

<u>Options Granted in Fiscal Year</u>	<b>Six-Month Period Ended September 27, 2015</b>			<b>Six-Month Period Ended September 28, 2014</b>		
	<b>Cost of Products Sold</b>	<b>Other Marketing Administrative Expenses</b>	<b>Total Expense</b>	<b>Cost of Products Sold</b>	<b>Other Marketing Administrative Expenses</b>	<b>Total Expense</b>
2013	\$-	\$ -	\$ -	\$12	\$ 12	\$ 24
2014	7	7	14	13	13	26
2015	28	24	52	14	12	26
2016	6	5	11	-	-	-
Total stock option compensation	\$41	\$ 36	\$ 77	\$39	\$ 37	\$ 76

As of September 27, 2015, total unrecognized stock option compensation expense amounted to \$146,000, which will be recognized as the underlying stock options vest over a weighted-average period of 12 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 individual who has received 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:

<u>Number of Shares</u>	<u>Fair Value per Share</u>	<u>Three-Month Period Ended</u>
28,000	\$8.20	September 27, 2015
28,000	\$7.97	September 28, 2014
28,000	\$6.67	September 29, 2013
42,000	\$5.62	September 30, 2012

These shares vest over a two-year period, assuming continued service. The fair value of the 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 2015, 28,000 shares vested that had been granted to the Company's non-employee directors, with such shares having an aggregate value of \$226,000.

*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 was to vest only if (i) the closing price of the Company's common stock was 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 remained 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.

With the closing price conditions having been met for these awards, the Board at various times approved amendments to provide for the immediate vesting of all or a portion of several of the grants. The vesting of these awards was accelerated in order to maximize the deductibility of the associated compensation expense by the Company for income tax purposes. During the three-month period ended September 27, 2015, the remaining 240,000 of these shares vested, with such shares having an aggregate value of \$1.9 million. Each of the individuals holding shares that vested surrendered to the Company the number of shares necessary to satisfy the income tax withholding obligations that arose from the vesting of the shares, and the Company remitted \$948,000 to the appropriate taxing authorities on behalf of such individuals.

*Performance Bonus Plan:* The Company maintains a performance bonus plan for certain executive officers that provides for awards of 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 insufficient 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. 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, the Company, in respect of fiscal year 2015, awarded 58,532 shares of common stock with a fair value of \$7.18 per share during the three-month period ended June 28, 2015. In connection with these awards, the Company recognized compensation expense of \$140,000 during fiscal year 2015, and will recognize, on a straight-line basis, \$140,000 in compensation expense during each of fiscal years 2016 and 2017.

In connection with the performance bonus plan, the Company, in respect of fiscal year 2014, awarded 188,232 shares of common stock with a fair value of \$5.65 per share during the three-month period ended June 29, 2014. In connection with these awards, the Company recognized compensation expense of \$354,000 during each of fiscal years 2014 and 2015, and will recognize, on a straight-line basis, \$354,000 in compensation expense during fiscal year 2016. During the three-month period ended June 28, 2015, 94,116 of these shares vested, with such shares having an aggregate value of \$735,000. Each of the individuals holding shares that vested surrendered to the Company the number of shares necessary to satisfy the income tax withholding obligations that arose from the vesting of the shares, and the Company remitted \$360,000 to the appropriate taxing authorities on behalf of such individuals.

For the three-month periods ended September 27, 2015 and September 28, 2014, the Company recognized compensation expense associated with stock grants, which is included in marketing and administrative expenses in the accompanying consolidated statements of income, as follows (in thousands):

<u>Stock Granted in Fiscal Year</u>	<b>Three-Month Period Ended September 27, 2015</b>			<b>Three-Month Period Ended September 28, 2014</b>		
	<b>Non-employee</b>		<b>Total Expense</b>	<b>Non-employee</b>		<b>Total Expense</b>
	<b>Employee</b>	<b>Directors</b>		<b>Employee</b>	<b>Directors</b>	
2011	\$12	\$ -	\$ 12	\$41	\$ -	\$ 41
2013	-	-	-	-	7	7
2014	-	8	8	-	23	23
2015	89	28	117	89	18	107
2016	35	19	54	-	-	-
Total stock grant compensation	\$136	\$ 55	\$ 191	\$130	\$ 48	\$ 178



For the six-month periods ended September 27, 2015 and September 28, 2014, the Company recognized compensation expense associated with stock grants, which is included in marketing and administrative expenses in the accompanying consolidated statements of income, as follows (in thousands):

<b>Stock Granted in Fiscal Year</b>	<b>Six-Month Period Ended September 27, 2015</b>			<b>Six-Month Period Ended September 28, 2014</b>		
	<b>Non-employee Employees</b>	<b>Directors</b>	<b>Total Expense</b>	<b>Non-employee Employees</b>	<b>Directors</b>	<b>Total Expense</b>
2011	\$48	\$ -	\$ 48	\$82	\$ -	\$ 82
2013	-	-	-	-	27	27
2014	-	31	31	-	46	46
2015	178	56	234	178	18	196
2016	70	19	89	-	-	-
Total stock grant compensation	\$296	\$ 106	\$ 402	\$260	\$ 91	\$ 351

As of September 27, 2015, total unrecognized compensation expense related to the Company's non-vested stock grants amounted to \$691,000, which will be recognized over the respective vesting terms associated with each block of non-vested stock indicated above, such grants having an aggregate weighted-average vesting term of 7.3 months. The amount of future compensation expense related to the Company's 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 non-vested stock grants as of such individual's separation date.

## Note 5 – Financing Arrangements

*Factoring Agreements:* The Company assigns the majority of its trade accounts receivable to CIT under factoring agreements whose expiration dates 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 customers that are within approved credit limits, 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 were to occur, the Company must either assume the credit risk for shipments after the date of such termination or limitation or cease shipments to such customer. Factoring fees, which are included in marketing and administrative expenses in the accompanying unaudited consolidated statements of income, were \$156,000 and \$159,000 for the three-month periods ended September 27, 2015 and September 28, 2014, respectively, and were \$272,000 and \$266,000 for the six-month periods ended September 27, 2015 and September 28, 2014, respectively. There were no advances from the factor at September 27, 2015 or March 29, 2015.

*Credit Facility:* The Company's credit facility at September 27, 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, with an interest 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. As of September 27, 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 September 27, 2015, on daily cash balances held at CIT.

Under the financing agreement, a 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 was \$8,000 for each of the three months ended September 27, 2015 and September 28, 2014, and was \$16,000 for each of the six months ended September 27, 2015 and September 28, 2014. At September 27, 2015, there was no balance owed on the revolving line of credit, there was no letter of credit outstanding and the Company had \$23.8 million available under the revolving line of credit based on the Company's eligible accounts receivable and inventory balances.

The financing agreement for the revolving line of credit 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 was in compliance with these covenants as of September 27, 2015.

## Note 6 – Subsequent Events

The Company has evaluated events which have occurred between September 27, 2015 and the date that the accompanying consolidated financial statements were issued, and has determined that there are no material subsequent events that require disclosure.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company operates indirectly through its wholly-owned subsidiaries, CCIP and Hamco, in the infant, toddler and juvenile products segment within the consumer products industry. The infant and toddler products 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 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.

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 infant, toddler and juvenile 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.

A summary of certain factors that management considers important in reviewing the Company's results of operations, financial position, liquidity and capital resources is set forth below, which should be read in conjunction with the accompanying consolidated financial statements and related notes included in the preceding sections of this report.

## RESULTS OF OPERATIONS

The following table contains results of operations for the three and six-month periods ended September 27, 2015 and September 28, 2014 and the dollar and percentage changes for those periods (in thousands, except percentages):

	Three-Month Periods Ended		Change		Six-Month Periods Ended		Change	
	September 27, 2015	September 28, 2014	\$	%	September 27, 2015	September 28, 2014	\$	%
Net sales by category								
Bedding, blankets and accessories	\$ 14,365	\$ 15,387	\$(1,022)	-6.6 %	\$ 26,635	\$ 26,188	\$ 447	1.7 %
Bibs, bath and disposable products	6,351	5,054	1,297	25.7 %	11,939	9,957	1,982	19.9 %
Total net sales	20,716	20,441	275	1.3 %	38,574	36,145	2,429	6.7 %
Cost of products sold	15,010	14,595	415	2.8 %	28,087	26,017	2,070	8.0 %
Gross profit	5,706	5,846	(140 )	-2.4 %	10,487	10,128	359	3.5 %
<i>% of net sales</i>	27.5 %	28.6 %			27.2 %	28.0 %		
Marketing and administrative expenses	3,108	4,507	(1,399)	-31.0 %	6,369	7,669	(1,300)	-17.0 %
<i>% of net sales</i>	15.0 %	22.0 %			16.5 %	21.2 %		
Interest expense	(31 )	(9 )	(22 )	244.4 %	(39 )	(17 )	(22 )	129.4 %
Other income (expense)	19	(9 )	28	-311.1 %	39	6	33	550.0 %
Income tax expense	1,021	491	530	107.9 %	1,626	915	711	77.7 %
Net income	1,565	830	735	88.6 %	2,492	1,533	959	62.6 %
<i>% of net sales</i>	7.6 %	4.1 %			6.5 %	4.2 %		

*Net Sales:* Sales increased by \$275,000, or 1.3%, for the three-month period ended September 27, 2015 and \$2.4 million, or 6.7%, for the six-month period ended September 27, 2015 compared with the same periods in the prior year. The sales increases are largely related to initial shipments of new collections as well as replenishment for ongoing programs.

*Gross Profit:* Gross profit decreased in amount by \$140,000 and decreased from 28.6% of net sales for the three-month period ended September 28, 2014 to 27.5% of net sales for the three-month period ended September 27, 2015. Gross profit increased in amount by \$359,000 for the six-month period, but decreased from 28.0% of net sales for the six-month period ended September 28, 2014 to 27.2% for the six-month period ended September 27, 2015. The decreases in the gross margin as a percentage of net sales are the result of the assumption of new business from a former competitor with lower pre-set prices beginning in the three-month period ended December 28, 2014.

*Legal Expense:* Legal expense decreased by \$1.1 million and \$1.2 million for the three and six-month periods ended September 27, 2015, respectively, as compared with the same periods of the prior year. The decreases were primarily the result of an \$850,000 legal settlement recognized in the second quarter of the prior year and \$204,000 and \$350,000 of legal fees incurred during the three and six-month periods in the prior year that were associated with a lawsuit that was settled during the three-month period ended December 28, 2014.

*Other Marketing and Administrative Expenses:* Other marketing and administrative expenses decreased in amount by \$328,000 and \$71,000 for the three and six-month periods ended September 27, 2015, respectively, compared with the same periods in the prior year.

*Income Tax Expense:* The Company's provision for income taxes is based upon an estimated annual effective tax rate of 39.5% for fiscal year 2016 and 37.4% for fiscal year 2015. The increase in the current year is primarily due to an increase in the amount of certain expenses that are not deductible for tax purposes. Although the Company does not anticipate a material change to the effective tax rate for the balance of fiscal year 2016, several factors could impact the rate, including variations from the Company's estimates of the amount and source of its pre-tax income and the amount of certain tax credits.

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

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased from \$3.3 million for the six-month period ended September 28, 2014 to \$7.3 million for the six-month period ended September 27, 2015, due primarily to a lower increase in inventory, a higher decrease in accounts receivable and a higher amount of net income, which was offset by lower increases in accrued liabilities and accounts payable and in the current year.

Net cash used in investing activities increased to \$255,000 in the current year from \$120,000 in the prior year.

Net cash used in financing activities increased by \$1.1 million to \$2.7 million in the current year. The increase was primarily associated with the surrender to the Company's treasury of a portion of the shares of non-vested stock that vested, which was in consideration of the Company remitting the income tax withholding obligations that arose from the vesting of the shares.

From September 28, 2014 to September 27, 2015, the Company's cash balances increased from \$2.2 million to \$6.1 million. At September 27, 2015, there was no balance owed on the revolving line of credit, there was no letter of credit outstanding and the Company had \$23.8 million available under the revolving line of credit based on the Company's eligible accounts receivable and inventory balances.

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 balance, its cash flow from operations and its availability from the revolving line of credit will be adequate to meet its liquidity needs.

To reduce its exposure to credit losses and to enhance the predictability of its cash flow, the Company assigns the majority of its trade accounts receivable to CIT under factoring agreements. Under the terms of the factoring agreements, CIT remits customer payments to the Company as such payments are received by CIT and bears credit losses with respect to assigned accounts receivable from approved customers that are within approved credit limits, 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 were to occur, the Company must either assume the credit risk for shipments after the date of such termination or limitation or cease shipments to such customer. There were no advances from the factor at either September 27, 2015 or March 29, 2015.

#### FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of the Securities Act of 1933, the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations, projections, estimates and assumptions. Words such as "expects," "believes," "anticipates" and variations of such words and similar expressions identify such forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause future results to differ materially from those suggested by the forward-looking statements. These risks include, among others, general economic conditions, including changes in interest rates, in the overall level of consumer spending and in the price of oil, cotton and other raw materials used in the Company's products, changing competition, changes in the retail environment, the level and pricing of future orders from the Company's customers, the Company's dependence upon third-party suppliers, including some located in foreign countries with unstable political situations, the Company's ability to successfully implement new information technologies, customer acceptance of both new designs and newly-introduced product lines, actions of competitors that may impact the Company's business, disruptions to transportation systems or shipping lanes used by the Company or its suppliers, and the Company's dependence upon licenses from third parties. Reference is also made to the Company's periodic filings with the Securities and Exchange Commission for additional factors that may impact the Company's results of operations and financial condition. The Company does not undertake to update the forward-looking statements contained herein to conform to actual results or changes in the Company's expectations, whether as a result of new information, future events or otherwise.

#### ITEM 4. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have

concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

During the three-month period ended September 27, 2015, there was not any change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in various legal and regulatory 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 proceeding the outcome of which, individually or in the aggregate, is expected to have a material adverse effect on the Company's financial condition, results of operations or cash flow.

### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A. of Part 1 of the Company's annual report on Form 10-K for the year ended March 29, 2015.



## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## (c) Issuer Purchases of Equity Securities.

The table below sets forth information regarding the Company's repurchase of its outstanding common stock during the three-month period ended June 28, 2015.

<u>Period</u>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs</b>
June 29, 2015 through August 2, 2015	137,059	\$ 8.08	0	\$ 0
August 3, 2015 through August 30, 2015	0	\$ 0	0	\$ 0
August 31, 2015 through September 27, 2015	0	\$ 0	0	\$ 0
Total	137,059	\$ 8.08	0	\$ 0

The shares purchased from June 29, 2015 through August 2, 2015 consist of shares of common stock surrendered (1) to the Company in payment of the income tax withholding obligations relating to the exercise of options and the vesting of non-vested stock.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

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

Exhibit Number	Description of Exhibit
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer (1)
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer (1)
32.1	Section 1350 Certification by the Company's Chief Executive Officer (1)
32.2	Section 1350 Certification by the Company's Chief Financial Officer (1)
101	The following information from the Registrant's Form 10-Q for the quarterly period ended September 27, 2015, formatted as interactive data files in XBRL (eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Statements of Income; (ii) Unaudited Condensed Consolidated Balance Sheets; (iii) Unaudited Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Unaudited Condensed Consolidated Financial Statements.
(1)	Filed herewith.

SIGNATURE

Pursuant to the requirements 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.

Date: November 12, 2015 /s/ Olivia W. Elliott  
OLIVIA W. ELLIOTT  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Index to Exhibits

Exhibit Number	Description of Exhibit
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer (1)
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer (1)
32.1	Section 1350 Certification by the Company's Chief Executive Officer (1)
32.2	Section 1350 Certification by the Company's Chief Financial Officer (1)
101	The following information from the Registrant's Form 10-Q for the quarterly period ended September 27, 2015, formatted as interactive data files in XBRL (eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Statements of Income; (ii) Unaudited Condensed Consolidated Balance Sheets; (iii) Unaudited Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Unaudited Condensed Consolidated Financial Statements.
(1)	Filed herewith.