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**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 **March 28, 2020**

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

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

Commission file number: **001-33346**

**Summer Infant, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**20-1994619**

(IRS Employer Identification No.)

**1275 Park East Drive**

**Woonsocket, RI 02895**

(Address of principal executive offices) (Zip Code)

**(401) 671-6550**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001	SUMR	Nasdaq Capital Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 3, 2020, there were 2,111,427 shares outstanding of the registrant's Common Stock, \$0.0001 par value per share.

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**Summer Infant, Inc.**  
**Form 10-Q**  
**Table of Contents**

	<u>Page Number</u>
<a href="#"><u>Part I. Financial Information</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>Item 1. Condensed Consolidated Financial Statements (unaudited)</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>Condensed Consolidated Balance Sheets as of March 28, 2020 (unaudited) and December 30, 2019</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>Condensed Consolidated Statements of Operations for the Three Months Ended March 28, 2020 and March 30, 2019 (unaudited)</u></a>	<a href="#"><u>2</u></a>
<a href="#"><u>Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 28, 2020 and March 30, 2019 (unaudited)</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 28, 2020 and March 30, 2019 (unaudited)</u></a>	<a href="#"><u>4</u></a>
<a href="#"><u>Condensed Consolidated Statements of Stockholder' Equity for the Three Months Ended March 28, 2020 and March 30, 2019 (unaudited)</u></a>	<a href="#"><u>5</u></a>
<a href="#"><u>Notes to Condensed Consolidated Financial Statements</u></a>	<a href="#"><u>6</u></a>
<a href="#"><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>14</u></a>
<a href="#"><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>18</u></a>
<a href="#"><u>Item 4. Controls and Procedures</u></a>	<a href="#"><u>18</u></a>
<a href="#"><u>Part II. Other Information</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Item 1. Legal Proceedings</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Item 1A. Risk Factors</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Item 3. Defaults Upon Senior Securities</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Item 4. Mine Safety Disclosures</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>Item 5. Other Information</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>Item 6. Exhibits</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>Exhibit Index</u></a>	<a href="#"><u>21</u></a>
<a href="#"><u>Signatures</u></a>	<a href="#"><u>23</u></a>

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# **PART I. FINANCIAL INFORMATION**

## **ITEM 1. Condensed Consolidated Financial Statements (unaudited)**

### **Summer Infant, Inc. and Subsidiaries** **Condensed Consolidated Balance Sheets**

Note that all amounts presented in the table below are in thousands of U.S. dollars, except share and par value amounts.

	<b>(Unaudited)</b> <b>March 28,</b> <b>2020</b>	<b>December 28,</b> <b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 693	\$ 395
Trade receivables, net of allowance for doubtful accounts	30,471	32,787
Inventory, net	25,170	28,056
Prepaid and other current assets	3,034	2,946
<b>TOTAL CURRENT ASSETS</b>	<b>59,368</b>	<b>64,184</b>
Property and equipment, net	8,118	8,788
Other intangible assets, net	12,799	12,896
Right to use assets, noncurrent	3,959	4,578
Deferred tax assets, net	1,243	996
Other assets	94	101
<b>TOTAL ASSETS</b>	<b>\$ 85,581</b>	<b>\$ 91,543</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,530	\$ 25,396
Accrued expenses	7,446	7,289
Lease liabilities, current	2,523	2,495
Current portion of long term debt	219	875
<b>TOTAL CURRENT LIABILITIES</b>	<b>35,718</b>	<b>36,055</b>
Long-term debt, less current portion and unamortized debt issuance costs	41,759	45,359
Lease liabilities, noncurrent	1,844	2,546
Other liabilities	1,953	2,000
<b>TOTAL LIABILITIES</b>	<b>81,274</b>	<b>85,960</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, \$0.0001 par value, 1,000,000 authorized, none issued or outstanding at March 28, 2020 and December 28, 2019, respectively	—	—
Common Stock \$0.0009 par value, authorized, issued and outstanding of 5,444,445, 2,141,612 and 2,111,427 at March 28, 2020 and 5,444,445, 2,138,928, and 2,108,743 at December 28, 2019, respectively	2	2
Treasury Stock at cost (30,185 shares at March 28, 2020 and December 28, 2019)	(1,283)	(1,283)
Additional paid-in capital	77,704	77,715
Accumulated deficit	(70,298)	(69,088)
Accumulated other comprehensive loss	(1,818)	(1,763)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>4,307</b>	<b>5,583</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 85,581</b>	<b>\$ 91,543</b>

See notes to condensed consolidated financial statements

**Summer Infant, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**

Note that all amounts presented in the table below are in thousands of U.S. dollars, except share and per share amounts.

	<b>(Unaudited)</b>	
	<b>For the Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net sales	\$ 40,338	\$ 42,538
Cost of goods sold	27,835	29,088
Gross profit	12,503	13,450
General and administrative expenses	8,147	9,379
Selling expense	3,444	3,353
Depreciation and amortization	967	937
Operating loss	(55)	(219)
Interest expense, net	1,410	1,249
Loss before income taxes	(1,465)	(1,468)
Benefit for income taxes	(255)	(70)
<b>NET LOSS</b>	<b>\$ (1,210)</b>	<b>\$ (1,398)</b>
Net loss per share:		
BASIC	\$ (0.57)	\$ (0.67)
DILUTED	\$ (0.57)	\$ (0.67)
Weighted average shares outstanding:		
BASIC	2,109,264	2,092,574
DILUTED	2,109,264	2,092,574

See notes to condensed consolidated financial statements.

**Summer Infant, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Loss**

Note that all amounts presented in the table below are in thousands of U.S. dollars.

	(Unaudited) For The Three Months Ended	
	March 28, 2020	March 30, 2019
Net loss	\$ (1,210)	\$ (1,398)
Other comprehensive (loss) income:		
Changes in foreign currency translation adjustments	(55)	165
Comprehensive loss	<u>\$ (1,265)</u>	<u>\$ (1,233)</u>

See notes to condensed consolidated financial statements.

**Summer Infant, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**

Note that all amounts presented in the table below are in thousands of U.S. dollars.

	(Unaudited)	
	For the three months ended	
	March 28, 2020	March 30, 2019
Cash flows from operating activities:		
Net loss	\$ (1,210)	\$ (1,398)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	967	904
Stock-based compensation expense, net of forfeitures	(11)	48
Provision for allowance for doubtful accounts	23	9
Write off of unamortized deferred financing costs	266	—
Amortization of right of use assets	619	496
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	2,099	(3,198)
Decrease in inventory	2,692	2,273
Decrease in lease liabilities	(673)	(532)
Increase in prepaids and other assets	(49)	(313)
Increase (decrease) in accounts payable and accrued expenses	164	(5,808)
Net cash provided by (used in) operating activities	4,887	(7,519)
Cash flows from investing activities:		
Acquisitions of property and equipment	(220)	(748)
Acquisitions of intangible assets	(25)	(64)
Net cash used in investing activities	(245)	(812)
Cash flows from financing activities:		
Repayment of term loan facility	—	(219)
Net (repayments) borrowings on revolving facility	(4,523)	8,891
Net cash (used in) provided by financing activities	(4,523)	8,672
Effect of exchange rate changes on cash and cash equivalents	179	(146)
Net increase in cash and cash equivalents	298	195
Cash and cash equivalents, beginning of period	395	721
Cash and cash equivalents, end of period	\$ 693	\$ 916
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 877	\$ 986
Cash paid for income taxes	\$ 2	\$ 3

See notes to condensed consolidated financial statements.

**Summer Infant, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Stockholders' Equity**

Note that all amounts presented in the table below are in thousands of U.S. dollars, except share and per share data.

	<b>Common Stock</b>		<b>Additional</b>	<b>Treasury</b>	<b>Accumulated</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid in</b>	<b>Stock</b>	<b>Deficit</b>	<b>Comprehensive</b>	<b>Equity</b>
			<b>Capital</b>			<b>Loss</b>	
<b>Balance at December 29, 2018</b>	<u>2,091,178</u>	<u>\$ 2</u>	<u>\$ 77,396</u>	<u>\$ (1,283)</u>	<u>\$ (64,924)</u>	<u>\$ (1,921)</u>	<u>\$ 9,270</u>
Issuance of common stock upon vesting of restricted shares	6,167						
Stock-based compensation, net of forfeitures			48				48
Net loss for the year					(1,398)		(1,398)
Foreign currency translation adjustment						165	165
<b>Balance at March 30, 2019</b>	<u>2,097,345</u>	<u>\$ 2</u>	<u>\$ 77,444</u>	<u>\$ (1,283)</u>	<u>\$ (66,322)</u>	<u>\$ (1,756)</u>	<u>\$ 8,085</u>
<b>Balance at December 28, 2019</b>	<u>2,108,743</u>	<u>\$ 2</u>	<u>\$ 77,715</u>	<u>\$ (1,283)</u>	<u>\$ (69,088)</u>	<u>\$ (1,763)</u>	<u>\$ 5,583</u>
Issuance of common stock upon vesting of restricted shares	1,064						
Fractional Share Issuance upon reverse stock split	1,620						
Stock-based compensation, net of forfeitures			(11)				(11)
Net loss for the period					(1,210)		(1,210)
Foreign currency translation adjustment						(55)	(55)
<b>Balance at March 28, 2020</b>	<u>2,111,427</u>	<u>\$ 2</u>	<u>\$ 77,704</u>	<u>\$ (1,283)</u>	<u>\$ (70,298)</u>	<u>\$ (1,818)</u>	<u>\$ 4,307</u>

See notes to condensed consolidated financial statements.

**SUMMER INFANT, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

The Company designs, markets and distributes branded juvenile health, safety and wellness products that are sold globally to large national retailers as well as independent retailers, primarily in North America. The Company currently markets its products in several product categories including safety, nursery, monitoring, and baby gear. Most products are sold under our core brand names of Summer™, SwaddleMe®, and born free®. When used herein, the terms the “Company,” “we,” “us,” and “our” mean Summer Infant, Inc. and its consolidated subsidiaries.

*Basis of Presentation and Principles of Consolidation*

The accompanying interim condensed consolidated financial statements of the Company are unaudited, but in the opinion of management, reflect all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results for the interim periods. Accordingly, they do not include all information and notes required by generally accepted accounting principles in the United States of America (“GAAP”) for complete financial statements. The results of operations for interim periods are not necessarily indicative of results to be expected for the entire fiscal year or any other period. The balance sheet at December 28, 2019 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes for the year ended December 28, 2019 included in its Annual Report on Form 10-K filed with the SEC on March 18, 2020, as amended on April 24, 2020.

It is the Company’s policy to prepare its financial statements on the accrual basis of accounting in conformity with GAAP. The interim condensed consolidated financial statements include the accounts of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

All dollar amounts included in the Notes to Condensed Consolidated Financial Statements are in thousands of U.S. dollars, except share and per share amounts.

In March 2020, the Company completed a 1-for-9 reverse stock split of the Company’s issued and outstanding shares of common stock in order to regain compliance with Nasdaq’s minimum bid price requirement. Accordingly, information in the financial statements and accompanying notes included in this Quarterly Report on Form 10-Q related to fiscal 2019 give effect to the reverse stock split as if it occurred at the beginning of the first period presented.

*Reclassification*

Previously reported amounts have been revised in the accompanying condensed consolidated statement of cash flows to properly state certain right to use assets and lease liabilities. These revisions had no impact on the company’s net cash provided by or used in operating activities.

*Revenue Recognition*

The Company recognizes revenue to depict the transfer of promised goods to customers in an amount that reflects what it expects to receive in exchange for the goods.

The Company’s principal activities from which it generates its revenue is product sales. The Company has one reportable segment of business.

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation in a contract by transferring control over a product to a customer when product delivery occurs. Consideration is typically paid approximately 60 days from the time control is transferred. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in selling costs.

A performance obligation is a promise in a contract to transfer a distinct product to the customer, which for the Company is transfer of juvenile products to its customers. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as the customer receives the benefit of the performance obligation.

A transaction price is the amount of consideration the Company expects to receive under the arrangement. The Company is required to estimate variable consideration (if any) and to factor that estimation into the determination of the transaction price. The Company conducts its business with customers through valid purchase or sales orders each of which is considered a separate contract because individual orders are not interdependent on one another. Product transaction prices on a purchase or sale order are discrete and stand-alone. Purchase or sales orders may be issued under either a customer master service agreement or a reseller allowance agreement. Purchase or sales orders, master service agreements, and reseller allowance agreements, which are specific and unique to each customer, may include product price discounts, markdown allowances, return allowances, and/or volume rebates which reduce the consideration due from customers. Variable consideration is estimated using the most likely amount method, which is based on historical experience as well as current information such as sales forecasts.





Contracts may also include cooperative advertising arrangements where the Company allows a discount from invoiced product amounts in exchange for customer purchased advertising that features the Company's products. These allowances are generally based upon product purchases or specific advertising campaigns. Such allowances are accrued when the related revenue is recognized. These cooperative advertising arrangements provide a distinct benefit and fair value and are accounted for as direct selling expenses.

#### *Use of Estimates*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts of revenues, expenses, assets, liabilities and related disclosures. These estimates are based on management's best knowledge as of the date the financial statements are published of current events and actions the Company may undertake in the future. Accordingly, actual results could differ from those estimates.

#### *Trade Receivables*

Trade receivables are carried at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customers' ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Amounts are considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable.

Changes in the allowance for doubtful accounts are as follows:

	<b>For the three months ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Allowance for doubtful accounts, beginning of period	\$ 542	\$ 304
Charges to costs and expenses, net	23	9
Account write-offs	—	—
Allowance for doubtful accounts, end of period	<u>\$ 565</u>	<u>\$ 313</u>

#### *Inventory Valuation*

Inventory is comprised mostly of finished goods and some component parts and is stated at the lower of cost using the first-in, first-out ("FIFO") method, or net realizable value. The Company regularly reviews slow-moving and excess inventories, and writes down inventories to net realizable value if the expected net proceeds from the disposals of excess inventory are less than the carrying cost of the merchandise.

#### *Leases*

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the Company's condensed consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company's uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The components of a lease should be split into three categories: lease components (e.g., land, building, etc.), non-lease components (e.g., common area maintenance, maintenance, consumables, etc.), and non-components (e.g., property taxes, insurance, etc.). Then the fixed and in-substance fixed contract consideration (including any related to non-components) must be allocated based on fair values to the lease components and non-lease components. Although separation of lease and non-lease components is required, certain practical expedients are available to entities. Entities electing the practical expedient would not separate lease and non-lease components. Rather, they would account for each lease component and the related non-lease component together as a single component. The Company's facilities operating leases have lease and non-lease components to which the Company has elected to apply the practical expedient and account for each lease component and related non-lease component as one single component. The lease component results in a ROU asset being recorded on the balance sheet. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

## Income Taxes

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred income tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carry-forwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence, that it is more likely than not that such benefits will be realized. The net deferred tax assets and liabilities are presented as noncurrent.

The Company utilized the discrete method of accounting for income taxes in the U.S. for the three months ended March 28, 2020 and the three months ended March 30, 2019 as it believes the discrete method results in a more accurate representation of the income tax benefit for the quarter.

The Company follows the appropriate guidance relative to uncertain tax positions. This standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Uncertain tax positions must meet a recognition threshold of more-likely-than-not in order for those tax positions to be recognized in the financial statements.

On March 27, 2020, the U.S. CARES Act was enacted, which provided a substantial tax-and-spending package intended to provide additional economic stimulus to address the impact of the COVID-19 pandemic. The U.S. CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain refundable employee retention credits. As a result of the U.S. CARES Act tax law changes, we recognized a \$262 tax benefit related to the increase in interest deduction occurring during the fiscal year ended December 28, 2019 which was fully reserved for. The impact of the CARES Act in prospective periods may differ from our estimate as of March 28, 2020 due to changes in interpretations and assumptions, guidance that may be issued and actions the Company may take in response to the CARES Act. The CARES Act is highly detailed, and the Company will continue to assess the impact that various provisions will have on its business.

## Net Loss Per Share

Basic loss per share for the Company is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per share includes the dilutive impact of outstanding stock options and unvested restricted shares.

## Translation of Foreign Currencies

All assets and liabilities of the Company's foreign subsidiaries, each of whose functional currency is in its local currency, are translated into U.S. dollars at the exchange rate in effect at the end of the quarter and the income and expense accounts of these affiliates have been translated at average rates prevailing during each respective quarter. Resulting translation adjustments are made to a separate component of stockholders' equity within accumulated other comprehensive loss. Foreign exchange transaction gains and losses are included in the accompanying interim, condensed consolidated statement of operations.

## 2020 Plan and COVID-19 Pandemic

The Company believes that its existing plan will generate sufficient cash which, along with its existing cash and availability under its facilities, will enable it to fund operations through at least the next 12 months. However, should the Company require additional cash, or should the impact from the COVID-19 pandemic discussed below be more severe than expected, the Company would identify other cost reductions or seek additional resources.

In March 2020, the COVID-19 outbreak was declared a global pandemic and became widespread in the U.S. While our products are considered "essential" and our distribution center located in California continues to operate, some of our customers have been impacted and, to the extent they operated retail stores, have been required to close their stores and curtail operations. We began to see an impact on orders at the end of March and may continue to see lower demand in the near term as governmental restrictions on businesses remain in place. Due to the uncertainty with respect to when governmental restrictions may be lifted and the widespread nature of the pandemic, we cannot currently predict how it will impact our business in the long term.

The Company is not currently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update any estimates, judgments or materially revise the carrying value of our assets or liabilities. The Company's estimates may change, however, as events evolve and additional information is obtained, and any such changes will be recognized in the consolidated financial statements.

## 2. REVENUE

### Disaggregation of Revenue

The Company's revenue is primarily from distinct fixed-price product sales in the juvenile product market, to similar customers and channels utilizing similar types of contracts that are short term in nature (less than one year). The Company does not sell service agreements or goods over a period of time and does not sell or utilize customer financing arrangements or time-and-material contracts.

The following is a table that presents net sales by geographical area:

	For the three months ended	
	March 28, 2020	March 30, 2019
United States	\$ 35,778	\$ 36,236

All Other	4,560	6,302
Net Sales	<u>\$ 40,338</u>	<u>\$ 42,538</u>

All Other consists of Canada, Europe, South America, Mexico, Asia, and the Middle East.

#### *Contract Balances*

The Company does not have any contract assets such as work-in-process or contract liabilities such as customer advances. All trade receivables on the Company's condensed consolidated balance sheets are from contracts with customers.

#### *Contract Costs*

Costs incurred to obtain a contract are capitalized unless short term in nature. As a practical expedient, costs to obtain a contract that are short term in nature are expensed as incurred. All contract costs incurred in the three months ended March 28, 2020 and three months ended March 30, 2019 fall under the provisions of the practical expedient and have therefore been expensed.

### 3. DEBT

*Bank of America Credit Facility.* On June 28, 2018, the Company and Summer Infant (USA), Inc., as borrowers, entered into a Second Amended and Restated Loan and Security Agreement with Bank of America, N.A., as agent, the financial institutions party to the agreement from time to time as lenders, and certain subsidiaries of the Company as guarantors, as amended in January and March (as amended, the “Restated BofA Agreement”). The Restated BofA Agreement replaced the Company’s prior credit facility with Bank of America, and provides for an asset-based revolving credit facility with a letter of credit sub-line facility. As of March 28, 2020, total revolver commitments under the credit facility were \$48,000. The total borrowing capacity is based on a borrowing base, which is defined as 85% of eligible receivables plus the lesser of (i) 70% of the value of eligible inventory or (ii) 85% of the net orderly liquidation value of eligible inventory, less applicable reserves. The scheduled maturity date of loans under the Restated BofA Agreement is June 28, 2023 (subject to customary early termination provisions). As a result of the amendments made to the Restated BofA Agreement in January and March 2020, (i) the definition of Financial Covenant Trigger Amount was modified, (ii) the lenders' aggregate revolver commitments were reduced, (iii) the definition of EBITDA was amended to exclude certain fees and expenses, (iv) the Company is required to meet certain minimum net sales amounts for each period of three consecutive fiscal months through the three-month period ending December 31, 2020, (v) the Company is required to meet a certain minimum EBITDA (as defined in the Restated BofA Agreement) as of the end of each fiscal month, calculated on a trailing 12-month period, (vi) the applicable margin and applicable unused line fee rate were increased, and (vii) certain reporting requirements were modified.

All obligations under the Restated BofA Agreement are secured by substantially all the assets of the Company, including a first priority lien on accounts receivable and inventory and a junior lien on certain assets subject to the Term Loan lender’s first priority lien described below. Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the Restated BofA Agreement. Proceeds from the loans were used to satisfy existing debt, pay fees and transaction expenses associated with the closing of the Restated BofA Agreement and may be used to pay obligations under the Restated BofA Agreement, and for lawful corporate purposes, including working capital.

Loans under the Restated BofA Agreement bear interest, at the Company’s option, at a base rate or at LIBOR, plus applicable margins based on average quarterly availability under the Restated BofA Agreement. Interest payments are due monthly, payable in arrears. The Company is also required to pay an annual non-use fee on unused amounts, as well as other customary fees as are set forth in the Restated BofA Agreement. The Restated BofA Agreement contains customary affirmative and negative covenants. Among other restrictions, the Company is restricted in its ability to incur additional debt, make acquisitions or investments, dispose of assets, or make distributions unless in each case certain conditions are satisfied. The Company is also required to meet certain financial covenants through the end of fiscal 2020, specifically (a) a minimum net sales amount for each period of three consecutive fiscal months, measured at the end of each month, and (b) a trailing, 12-month minimum adjusted EBITDA amount (as defined in the Restated BofA Agreement), measured at the end of each fiscal month. In addition, if availability falls below the following amounts, a springing covenant would be in effect requiring the Company to maintain a fixed charge coverage ratio at the end of each fiscal month of at least 1.0 to 1.0 for the twelve-month period then ended: (i) \$3,000 through May 31, 2020, (ii) \$3,500 from June 1 through June 30, 2020, (iii) \$3,750 from July 1 through August 31, 2020, (iv) \$4,000 from September 1 through September 30, 2020, (v) \$4,250 from October 1 through October 31, 2020, (vi) \$4,500 from November 1 through November 30, 2020, and (vii) \$5,000 at any time from and after December 1, 2020.

The Restated BofA Agreement also contains customary events of default, including a cross default with the Term Loan Agreement or the occurrence of a change of control. In the event of a default, the lenders may declare all of the obligations of the Company and its subsidiaries under the Restated BofA Agreement immediately due and payable. For events of default relating to insolvency and receivership, all outstanding obligations automatically become due and payable without any action on the part of the lenders.

As of March 28, 2020, under the Restated BofA Agreement, the rate on base-rate loans was 5.0% and the rate on LIBOR-rate loans was 3.5%. The amount outstanding on the Restated BofA Agreement at March 28, 2020, was \$28,063 and borrowing availability was \$5,626.

The amendments executed in the three months ended March 28, 2020 were evaluated, to determine the proper accounting treatment for the transactions. Accordingly, debt extinguishment accounting was used to account for the reduction in the total revolver commitments under the credit facility, resulting in the write off of \$266 in remaining unamortized deferred financing costs during the three months ended March 28, 2020.

Subsequent to fiscal quarter end, on April 29, the Company entered into further amendments to the Restated BofA Agreement. See Note 8 for information regarding these amendments.

*Term Loan Agreement.* On June 28, 2018, the Company and Summer Infant (USA), Inc., as borrowers, entered into a Term Loan and Security Agreement with Pathlight Capital LLC, as agent, each lender from time to time a party thereto, and certain subsidiaries of the Company as guarantors, as amended in January and March 2020 (as amended, the “Term Loan Agreement”) providing for a \$17,500 term loan (the “Term Loan”). Proceeds from the Term Loan were used to satisfy existing debt, pay fees and transaction expenses associated with the closing of the Term Loan and may be used to pay obligations under the Term Loan Agreement, and for lawful corporate purposes, including working capital. The Term Loan is secured by a lien on certain assets of the Company, including a first priority lien on intellectual property, machinery and equipment, and a pledge of (i) 100% of the ownership interests of domestic subsidiaries and (ii) 65% of the ownership interests in certain foreign subsidiaries of the Company, and a junior lien on certain assets subject to the liens under the Restated BofA Agreement described above. The Term Loan matures on June 28, 2023. Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the Term Loan Agreement. As a result of the amendments made to the Term Loan Agreement in January and March 2020, (i) the definition of IP Advance Rate Reduction was modified, (ii) the definition of Term Loan Borrowing Base was modified to deduct a specified equipment reserve amount from the calculation of the borrowing base, (iii) the definitions of Financial Covenant trigger and EBITDA were amended consistent with the Restated BofA Agreement, (iv) consistent with the Restated BofA Agreement, the Company is required to meet certain minimum net sales amounts for each period of three consecutive fiscal months through the three-month period ending December 31, 2020; and certain minimum EBITDA as of the end of each fiscal month, calculated on a trailing 12-month period, (v) principal payments on the term loan were suspended for 2020, such payments to resume in March 2021, and (vi) certain reporting requirements were modified. In addition, as described below, beginning March 10, 2020, the term loan began to bear additional interest, to be paid in kind (“PIK interest”) at annual rate of 4.0%.



The principal of the Term Loan is being repaid, on a quarterly basis, in installments of \$219, with the first installment having been paid on December 1, 2018, until paid in full on termination. In connection with the March 2020 amendment, principal payments on the Term Loan were suspended for 2020, to resume in March 2021. The Term Loan bears interest at an annual rate equal to LIBOR, plus 9.0%. Interest payments are due monthly, in arrears. In addition, the Term Loan began to accrue PIK (payment in kind) interest at an annual rate of 4.0% in March 2020, which interest will become payable upon the earlier to occur of (i) the repayment of the Term Loan in full, (ii) a sale or merger of the Company, (iii) the occurrence of default or event of default under the Term Loan Agreement, or (iv) the Company achieving adjusted EBITDA of \$12 million (calculated on a trailing, 12-month basis). If, and only if, the PIK interest becomes due and payable as a result of the Company achieving the adjusted EBITDA event noted in clause (iv), then the Company will pay all PIK interest then due and thereafter, PIK interest will continue to accrue and be paid on each subsequent anniversary of such event. Obligations under the Term Loan Agreement are also subject to a prepayment penalty if the Term Loan is repaid prior to the third anniversary of the closing of the Term Loan.

The Term Loan Agreement contains customary affirmative and negative covenants that are substantially the same as the Restated BofA Agreement. Consistent with the Restated BofA Agreement, the Company is also required to meet certain financial covenants through the end of fiscal 2020, specifically (a) a minimum net sales amount for each period of three consecutive fiscal months, measured at the end of each month, and (b) a trailing, 12-month minimum adjusted EBITDA amount (as defined in the Restated BofA Agreement), measured at the end of each fiscal month. In addition, consistent with the Restated BofA Agreement, if availability falls below a specified amount as described above, then the Company must maintain a fixed charge coverage ratio at the end of each fiscal month of at least 1.0 to 1.0 for the twelve-month period then ended. The Term Loan Agreement also contains events of default, including a cross default with the Restated BofA Agreement or the occurrence of a change of control. In the event of a default, the lenders may declare all of the obligations of the Company and its subsidiaries under the Term Loan Agreement immediately due and payable. For events of default relating to insolvency and receivership, all outstanding obligations automatically become due and payable without any action on the part of the lenders.

As of March 28, 2020, the interest rate on the Term Loan was 10.6% of cash interest and 4.0% of PIK interest. The amount outstanding on the Term Loan at March 28, 2020 was \$16,406.

Aggregate maturities related to the Restated BofA Agreement and the Term Loan Agreement are as follows:

**Fiscal Year ending:**

2020	0
2021	875
2022	875
2023	42,719
Total	<u>\$ 44,469</u>

Unamortized debt issuance costs were \$2,491 at March 28, 2020 and \$2,398 at December 28, 2019, and are presented as a direct deduction of long-term debt on the consolidated balance sheets.

Subsequent to fiscal quarter end, on April 29, the Company entered into further amendments to the Term Loan Agreement. See Note 8 for information regarding these amendments.

Due to the uncertainty with respect to the duration of the COVID-19 pandemic and its impact on the U.S. economy in the short and long term, it is possible that demand for our products may decrease and, as a result, we may be unable to meet the financial covenants under the Restated BofA Agreement and Term Loan Agreement. In such a case, the Company would seek to mitigate such an impact through cost reductions, restructuring its existing indebtedness, or amending or seeking relief from these covenants from its lenders.

#### 4. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	March 28, 2020	December 28, 2019
Brand names	\$ 11,819	\$ 11,819
Patents and licenses	4,126	4,101
Customer relationships	6,946	6,946
Other intangibles	1,882	1,882
	<u>24,773</u>	<u>24,748</u>
Less: Accumulated amortization	(11,974)	(11,852)
Intangible assets, net	<u>\$ 12,799</u>	<u>\$ 12,896</u>

The amortization period for the majority of the intangible assets ranges from 5 to 20 years for those assets that have an estimated life; certain of the assets have indefinite lives (brand names). Total of intangibles not subject to amortization amounted to \$8,400 as of March 28, 2020 and December 28, 2019.

## 5. COMMITMENTS AND CONTINGENCIES

### Leases

The Company leases office space and distribution centers primarily related to its Riverside California, Canada, United Kingdom, and Hong Kong operations. In connection with these leases, there were no cash incentives from the landlord to be used for the construction of leasehold improvements within the facility. Our headquarters in Woonsocket, Rhode Island continues to be accounted for as a sale-leaseback lease. Beginning in April 2020, the Company subleased a portion of its Riverside warehouse lease. The sub-lease has an initial term of one year, with an option to extend on a month to month basis for the remainder of the head lease. The Company will record the sublease income net of lease expense.

The Company identified and assessed the following significant assumptions in recognizing the right-of-use asset and corresponding liabilities:

- *Expected lease term* — The expected lease term includes both contractual lease periods and, when applicable, cancelable option periods when it is reasonably certain that the Company would exercise such options. As of March 28, 2020, these leases had remaining lease terms between 1.5 and 3.3 years. The Canada lease has one 5-year extension option that has also not been included in the lease term.
- *Incremental borrowing rate* — The Company's lease agreements do not provide an implicit rate. As the Company does not have any external borrowings for comparable terms of its leases, the Company estimated the incremental borrowing rate based on secured borrowings available to the Company for the next 5 years. This is the rate the Company would have to pay if borrowing on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment.
- *Lease and non-lease components* — In certain cases the Company is required to pay for certain additional charges for operating costs, including insurance, maintenance, taxes, and other costs incurred, which are billed based on both usage and as a percentage of the Company's share of total square footage. The Company determined that these costs are non-lease components and they are not included in the calculation of the lease liabilities because they are variable. Payments for these variable, non-lease components are considered variable lease costs and are recognized in the period in which the costs are incurred.

The components of the Company's lease expense for the three months ended March 28, 2020 and March 30, 2019 were as follows:

	For the three months ended	
	March 28, 2020	March 30, 2019
Operating lease cost	\$ 621	\$ 623
Variable lease cost	267	362
Total lease cost	<u>\$ 888</u>	<u>\$ 985</u>
Weighted-average remaining lease term	1.85 years	
Weighted Average discount rate:	5.00%	

Cash paid for amounts included in the measurement of the Company's lease liabilities were \$662 and \$648 for the three months ended March 28, 2020 and March 30, 2019 respectively.

As of March 28, 2020, the present value of maturities of the Company's operating lease liabilities were as follows:

<b>Fiscal Year Ending:</b>	
2020	\$ 2,005
2021	2,136
2022	299
2024	143
2024	0
Less imputed interest	(216)
Total	<u>\$ 4,367</u>

Subsequent to fiscal quarter end, on April 24, 2020, the Company entered into an amendment to the lease for its Woonsocket headquarters. See Note 8 for information regarding this amendment.



## *Litigation*

The Company is a party to various routine claims, litigation and administrative complaints incidental to its business, including claims involving product liability, employee matters and other general liability claims, most of which are covered by insurance. We are not aware of any such proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, results of operations or financial condition.

## **6. SHARE BASED COMPENSATION**

The Company is currently authorized to issue up to 1,700,000 shares for equity awards under the Company's 2012 Incentive Compensation Plan (as amended, "2012 Plan"). Periodically, the Company may also grant equity awards outside of its 2012 Plan as inducement grants for new hires.

Under the 2012 Plan, awards may be granted to participants in the form of non-qualified stock options, incentive stock options, restricted stock, deferred stock, restricted stock units and other stock-based awards. Subject to the provisions of the plans, awards may be granted to employees, officers, directors, advisors and consultants who are deemed to have rendered or are able to render significant services to the Company or its subsidiaries and who are deemed to have contributed or to have the potential to contribute to the Company's success. The Company accounts for options under the fair value recognition standard. Share-based compensation expense, net of forfeitures, for the three months ended March 28, 2020 and March 30, 2019 was a credit of \$11 and expense of \$48, respectively. Share based compensation expense is included in general and administrative expenses.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the table below. The Company uses the simplified method to estimate the expected term of the options, but used an estimate for grants of "plain vanilla" stock options based on a formula prescribed by the Securities and Exchange Commission. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Share-based compensation expense recognized in the consolidated financial statements is based on awards that are ultimately expected to vest.

As of March 28, 2020, there were 65,619 stock options outstanding and 13,669 unvested restricted shares outstanding.

During the three months ended March 28, 2020, the Company did not grant stock options or shares of restricted stock. The following table summarizes the weighted average assumptions used for stock options granted during the three months ended March 30, 2019.

	<b>For the Three Months Ended March 30, 2019</b>
Expected life (in years)	4.8
Risk-free interest rate	2.5%
Volatility	66.9%
Dividend yield	0%
Forfeiture rate	23.8%

As of March 28, 2020, there were 93,244 shares available to grant under the 2012 Plan.

## **7. WEIGHTED AVERAGE COMMON SHARES**

Basic and diluted earnings or loss per share ("EPS") is based upon the weighted average number of common shares outstanding during the period. Diluted weighted average number of common shares outstanding also included common stock equivalents such as stock options and restricted shares. The Company does not include the anti-dilutive effect of common stock equivalents in the calculation of dilutive common shares outstanding. The computation of diluted common shares for the three months ended March 28, 2020 excluded 65,619 stock options and 13,669 shares of restricted stock outstanding. The computation of diluted common shares for the three months ended March 30, 2019 excluded 115,179 stock options and 22,856 shares of restricted stock outstanding.

## 8. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing date of this Quarterly Report on Form 10-Q and determined that no subsequent events occurred that would require recognition in the consolidated financial statements or disclosure in the notes thereto except as follows:

### *Amendments to Restated BofA Agreement*

On April 29, 2020, the Company and Summer Infant (USA), Inc., as borrowers and certain subsidiaries of the Company as guarantors, entered into Amendment No. 5 to the Restated BofA Agreement. The amendment modified the terms of the Restated BofA Agreement to (a) increase the applicable margins; (b) add a LIBOR floor of 0.75% and (c) with respect to the financial covenants (i) for the months ending April through August 2020, adjusted the minimum net sales amounts the Company must meet for each period of three consecutive fiscal months, and (ii) for the months ending April through December 2020, adjusted the minimum EBITDA (as defined in the Restated BofA Agreement) the Company must meet as of the end of each fiscal month, calculated on a trailing 12-month period.

### *Amendments to Term Loan Agreement*

On April 29, 2020, the Company and Summer Infant (USA), Inc., as borrowers, and certain subsidiaries of the Company as guarantors, entered into a letter agreement amending Amendment No. 4 to the Term Loan Agreement. The letter agreement modified the terms of Amendment No. 4 to the Term Loan Agreement to (a) add a LIBOR floor of 0.75% and (b) modify the financial covenants consistent with Amendment No. 5 to the BofA Amendment.

### *Amendment to Lease*

On April 24, 2020, Summer Infant (USA), Inc. ("Summer USA"), a wholly-owned subsidiary of the Company, entered into the Third Amendment to Lease (the "Amendment") with Faith Realty II, LLC (the "Landlord") dated March 24, 2009. The Landlord is a company owned by Jason Macari, a former officer and director of the Company and a holder of more than ten percent of the Company's outstanding common stock. The Amendment modified the lease to, among other things, (i) extend the current term of the lease to June 2025, (ii) reduce the premises occupied by Summer USA under the lease, (iii) reduce the annual base rent payments for the term of the lease and (iv) provide Summer USA two options to extend the term of the lease for an additional period of five-year terms upon prior written notice.

### *Sublease of Warehouse Space*

Effective April 1, 2020, the Company subleased a portion of its warehouse located in Riverside, California. The initial term of the sublease is one year, and thereafter shall continue on a month-to-month basis until the termination of the master lease or, if earlier, if terminated upon 30 days' prior written notice of the Company or the sublessor. The Company will receive base rent of \$83 per month for the initial term of the sublease.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking information and statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward-looking statements included in this document are based on information available to us on the date hereof. It is important to note that our actual results could differ materially from those projected in such forward-looking statements contained in this Quarterly Report on Form 10-Q. These forward-looking statements include statements concerning our expectations regarding the impact of the COVID-19 pandemic on our financial condition and results of operations in the near and long term; anticipated savings from our ongoing restructuring efforts; and our expected cash flow and liquidity for the next 12 months. These statements are based on current expectations that involve numerous risks and uncertainties. These risks and uncertainties include the impact of the COVID-19 outbreak on our business operations, and the U.S. and global economies; the concentration of our business with retail customers; potential liquidity problems or bankruptcy of our customers and their ability to pay us in a timely manner; our ability to comply with financial and other covenants in our debt agreements; our ability to work with our lenders to amend our existing debt agreements, if required; our ability to raise additional funds or engage in a strategic transaction, if necessary; our ability to introduce new products or improve existing products that satisfy consumer preferences; our ability to develop new or improved products in a timely and cost-efficient manner; our ability to compete with larger and more financially stable companies in our markets; our dependence on key personnel; our reliance on foreign suppliers and potential disruption in foreign markets in which we operate; potential increases in the cost of raw materials used to manufacture our products; compliance with safety and testing regulations for our products; potential product liability claims arising from use of our products; unanticipated tax liabilities; a potential impairment of other intangible assets; and other risks as detailed in our Annual Report on Form 10-K for the year ended December 28, 2019, as amended, this Quarterly Report on Form 10-Q and subsequent filings with the Securities and Exchange Commission. All these matters are difficult or impossible to predict accurately, many of which may be beyond our control. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate.*

The following discussion is intended to assist in the assessment of significant changes and trends related to the results of operations and financial condition of our Company and our consolidated subsidiaries. This Management's Discussion and Analysis should be read together with the unaudited interim condensed consolidated financial statements and related notes included elsewhere in this filing and with our consolidated financial statements for the year ended December 28, 2019 included in our Annual Report on Form 10-K for the year ended December 28, 2019, as amended ("2019 Form 10-K").

Note that all dollar amounts in this section are in thousands of U.S. dollars, except share and per share data.

### Overview

We are an infant and juvenile products company originally founded in 1985 and have publicly traded on the Nasdaq Stock Market since 2007 under the symbol "SUMR." We are a recognized authority in the juvenile industry, providing parents and caregivers a full range of innovative, high-quality, and high-value products to care for babies and toddlers. We seek to improve the quality of life of parents, caregivers, and babies through our product offerings.

We operate in one principal industry segment across geographically diverse marketplaces, selling our products primarily in North America to large, national retailers as well as independent retailers, and on our partner's websites and our own direct-to-consumer websites. In North America, our customers include Amazon.com, Wal-Mart, Target, Buy Buy Baby, Home Depot, and Lowe's. We also sell through international distributors, representatives, and to select international retail customers in geographic locations where we do not have a direct sales presence.

In the first quarter of 2020, sales declined 5.2% as compared to the prior year period, principally as a result of our customers reacting to the early stages of the COVID-19 pandemic in March. Gross margin declined by 60 basis points due to higher closeout sales in part due to the liquidation of inventory associated with the closure of our UK warehouse in March. General and administrative expenses declined 13.1% as compared to the prior period as the Company began to implement restructuring actions in the first quarter of 2020, including a reduction in work force and other cost reductions partially offset by severance costs. Net loss per diluted share for the quarter declined to \$0.57 per share as compared to a net loss of \$0.67 per share for the comparable prior period.

During the quarter, we successfully completed a 1-for-9 reverse stock split of our Company's issued and outstanding shares of common stock in order to regain compliance with Nasdaq's minimum bid price requirement. Accordingly, information in the financial statements and accompanying notes included in this Quarterly Report on Form 10-Q related to fiscal 2019 give effect to the reverse stock split as if it occurred at the first period presented.

*Restructuring Initiatives.* In early 2020 and prior to the COVID-19 outbreak in the U.S., we announced restructuring initiatives to further streamline operations and improve our financial outlook. We anticipate that, if these initial initiatives are fully implemented, these actions will result in annualized cost savings of approximately \$7,500 when complete. As of the end of April 2020, we have taken many of these actions, including headcount reductions, reductions in facility space, and other cost reductions, and believe we are on track to realize the expected \$7,500 in annualized cost savings. At the end of March, we vacated our distribution center located in the U.K. To further reduce expenses, in April 2020, we completed a sublease of a portion of our California distribution center and an amendment to our lease of our headquarters located in Rhode Island that reduced the size of premises occupied by us and correspondingly will reduce our base rent going forward. During the quarter and in April 2020, we also worked with our lenders to amend our credit facility and term loan agreement to permit us the ability to undertake various restructuring initiatives and to provide additional liquidity, as well as to address the potential short-term impact of the COVID-19 pandemic.

*Impact of the COVID-19 Pandemic.* As discussed in our 2019 Form 10-K, we experienced some delays in manufacturing and shipment of our products to the U.S., as the majority of our products are sourced from China. Sales in the first quarter were consistent with our forecast until March, when the COVID-19 pandemic spread to the U.S. Because our products are considered “essential” and our distribution center is located in California, we have continued to ship products without interruption.

In March, we began to see customers that have retail stores reduce orders as they experienced or anticipated closures of those stores. While we did see an uptick in sales to those customers with significant e-commerce capabilities, it did not offset the reduced orders from our mid-size and smaller customers.

We have seen manufacturing and shipments from China return to more normal levels, however suppliers that are located in other areas, including Mexico, are now subject to closure as a result of the COVID-19 pandemic. As a result, the potential exists that we might not be able to meet demand for certain products that are manufactured by suppliers that are subject to closure, and we are looking to potential other suppliers for those products.

We expect that our sales in the second quarter of 2020 will continue to be impacted by the COVID-19 pandemic as some retail stores remain closed. We believe that customers with e-commerce capabilities will continue to have high demand and we hope that, as stores begin to reopen across the U.S., we will see a corresponding increase in orders from customers with retail stores. However, given the unpredictability of the COVID-19 pandemic, it is possible that stores will remain closed, or that outbreaks may reoccur later in the year. With our mid-size and smaller customers, we have begun to see some of these customers ask for extensions in payment terms. We expect these customers may experience financial difficulties, and we are taking steps to limit risk of non-payment from these customers.

While reduced sales in the second quarter will have an impact on our operating cash flow, as noted above, we have been working with our lenders to provide flexibility to maintain liquidity during this uncertain time. We will continue to monitor the impact of the COVID-19 pandemic on our customers, and the U.S. economy in general, however, due to the uncertainty with respect to when stay-at-home and similar restrictions may be lifted and the widespread nature of the COVID-19 pandemic, we cannot currently predict how it will impact our business in the latter half of 2020.

### Summary of Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates during the three months ended March 28, 2020 from our critical accounting policies and estimates disclosed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2019 Form 10-K.

### Results of Operations

	For the Three Months Ended (Unaudited)	
	March 28, 2020	March 30, 2019
Net sales	\$ 40,338	\$ 42,538
Cost of goods sold	27,835	29,088
Gross profit	12,503	13,450
General and administrative expense	8,147	9,379
Selling expense	3,444	3,353
Depreciation and amortization	967	937
Operating loss	(55)	(219)
Interest expense, net	1,410	1,249
Loss before income taxes	(1,465)	(1,468)
Benefit for income taxes	(255)	(70)
Net loss	\$ (1,210)	\$ (1,398)

### ***Three Months ended March 28, 2020 compared with Three Months ended March 30, 2019***

Net sales decreased 5.2% from \$42,538 for the three months ended March 30, 2019 to \$40,338 for the three months ended March 28, 2020. The decrease was primarily a result of the early stages of the economic effect from the COVID-19 pandemic partially offset by an increase of sale of specialty blankets, strollers, boosters, playards, and infant safety products.

Cost of goods sold includes cost of the finished product from suppliers, duties on certain imported items, freight-in from suppliers, and miscellaneous charges. The components of cost of goods sold remained substantially the same for the quarter ended March 28, 2020 as compared to the quarter ended March 30, 2019.

Gross profit decreased 7.0% from \$13,450 for the three months ended March 30, 2019 to \$12,503 for the three months ended March 28, 2020. Gross margin as a percent of net sales declined from 31.6% for the three months ended March 30, 2019 to 31.0% for the three months ended March 28, 2020. Gross profit declined due to reduced sales. Gross margin declined primarily due to higher closeout sales in part due to the liquidation of inventory associated with the closure of our UK warehouse.

General and administrative expenses decreased 13.1% from \$9,379 for the three months ended March 30, 2019 to \$8,147 for the three months ended March 28, 2020. General and administrative expenses declined from 22.0% of net sales for the three months ended March 30, 2019 to 20.2% of net sales for the three months ended March 28, 2020. The decline in dollars and as a percent of sales was primarily due to the Company's restructuring activities in the first quarter that included a reduction in work force and other cost reductions partially offset by severance costs as well as cost reductions from the previous fiscal year.

Selling expenses increased 2.7% from \$3,353 for the three months ended March 30, 2019 to \$3,444 for the three months ended March 28, 2020. Selling expenses also increased as a percent of net sales from 7.9% for the three months ended March 30, 2019 to 8.5% for the three months ended March 28, 2020. The increase in selling expense dollars and as a percent of sales was primarily attributable to increased cooperative advertisements and freight out costs this year as compared to the three months ended March 30, 2019.

Depreciation and amortization increased 3.2% from \$937 for the three months ended March 30, 2019 to \$967 for the three months ended March 28, 2020. Depreciation in the three months ended March 28, 2020 included \$125 of accelerated depreciation on certain disposed assets.

Interest expense increased 12.9% from \$1,249 for the three months ended March 30, 2019 to \$1,410 for the three months ended March 28, 2020. Interest expense increased primarily as a result of the write off of \$266 of previously unamortized prepaid finance fees associated with the reduction in the total revolver commitments under its Bank of America credit facility. Excluding the write off, interest expense decreased primarily as a result of lower debt levels and the impact of lower interest rates in the quarter partially offset by higher average interest margins under our amended credit facilities.

For the three months ended March 30, 2019, we recorded a \$70 tax benefit for income taxes on \$1,468 of pretax loss, reflecting an estimated 4.8% tax rate for the quarter. For the three months ended March 28, 2020, we recorded a \$255 tax benefit for income taxes on \$1,465 of pretax loss, reflecting an estimated 17.4% tax rate for the quarter. The tax rate for the three months ended March 28, 2020 included a \$216 discrete valuation allowance charge for nondeductible interest expense. The tax rate for the three months ended March 30, 2019 included a \$313 discrete valuation allowance charge for nondeductible interest expense.

### **Liquidity and Capital Resources**

We fund our operations and working capital needs through cash generated from operations and borrowings under our credit facility.

The majority of our inventory is sourced from Asia which takes approximately three to four weeks to arrive at the various distribution points we maintain in the United States and Canada, and payment terms for these vendors are approximately 60-75 days from the date the product ships from Asia. In turn, sales to customers generally have payment terms of 60 days, resulting in an accounts receivable and increasing the amount of cash required to fund working capital. To bridge the gap between paying our suppliers and receiving payment from our customers for goods sold, we rely on our credit facility.

The majority of our capital expenditures are for tools and molds related to new product introductions. We receive indications from retailers generally near the middle of each year as to what products they will be taking into their product lines for the upcoming year. Based on these indications, we will then acquire the tools and molds required to build and produce the products. In most cases, the payments for the tools are spread over a three to four month period.

For the three months ended March 28, 2020, net cash provided by operating activities totaled \$4,887 primarily due to a reduction in inventory and accounts receivable. Net cash used in operating activities for the three months ended March 30, 2019 was \$7,519 primarily due to the paydown of accounts payable from higher inventory purchases in the previous fiscal quarter in advance of a potential further increase in tariffs.

For the three months ended March 28, 2020, net cash used in investing activities was approximately \$245. For the three months ended March 30, 2019, net cash used in investing activities was \$812.

Net cash used in financing activities was approximately \$4,523 for the three months ended March 28, 2020 reducing borrowings on our credit facilities to fund inventory purchases and accounts receivable. Net cash provided by financing activities was approximately \$8,672 for the three months ended March 30, 2019 and reflected borrowings on our credit facilities to fund inventory purchases and accounts receivable.

Primarily as a result of the above factors, net cash increased for the three months ended March 28, 2020 by \$298, resulting in a cash balance of approximately \$693 at March 28, 2020.

### *Capital Resources*

In addition to operating cash flow, we also rely on our asset-based revolving credit facility with Bank of America, N.A. and our term loan agreement with Pathlight Capital to meet our financing requirements, which are subject to changes in our inventory and account receivable levels.

As discussed above, we have worked with our lenders to address the potential impact of the COVID-19 pandemic on our cash flow and access to funding under our credit facility. However, if we are unable to meet our current financial forecast, experience a more severe impact from the COVID-19 pandemic on our business than expected, do not adequately control expenses, or adjust our operations accordingly, we may experience constraints on our liquidity and may not meet the financial and other covenants under our credit facility and term loan agreements, which could impact our availability. There is no assurance that we will meet all of our financial or other covenants in the future, or that our lenders will grant waivers or agree to amend the terms of our agreements with them if there are covenant violations. In such case, we may be required to seek to raise additional funds through debt or equity financings, restructure our existing debt, engage in strategic collaborations, and/or a strategic transaction that is in the best interest of our stockholders. Any such financing or strategic transaction could result in significant dilution to our existing stockholders, depending on the terms of the transaction. If we are unable to identify a strategic transaction, raise additional funds, and/or restructure our existing debt, our operations could be limited and we may not be able to meet all of our obligations under our credit facility and term loan agreement.

Based on past performance and current expectations, we believe that our anticipated cash flow from operations and availability under the Restated BofA Agreement are sufficient to fund our working capital, capital expenditures and debt service requirements for at least the next 12 months.

### *Credit Facilities*

We and our wholly owned subsidiary, Summer Infant (USA), Inc., as borrowers, and certain of our subsidiaries as guarantors, are parties to a Second Amended and Restated Loan and Security Agreement with Bank of America, N.A., as agent, that provides for a \$48,000 asset-based revolving credit facility (as it may be amended from time to time, the "Restated BofA Agreement"). The below discussion of the Restated BofA Agreement reflects the terms of the most recent amendment executed in April 2020. See Note 8 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of the April 2020 amendments. Total borrowing capacity under the Restated BofA Agreement is based on a borrowing base, which is defined as 85% of eligible receivables plus the lesser of (i) 70% of the value of eligible inventory or (ii) 85% of the net orderly liquidation value of eligible inventory, less applicable reserves. Loans under the Restated BofA Agreement are scheduled to mature on June 28, 2023 (subject to customary early termination provisions). All obligations under the Restated BofA Agreement are secured by substantially all the assets of the Company, including a first priority lien on accounts receivable and inventory and a junior lien on certain assets subject to the term loan lender's first priority lien described below, and certain of our subsidiaries are guarantors.

Loans under the Restated BofA Agreement bear interest, at the Company's option, at a base rate or at LIBOR with a LIBOR floor of 0.75%, plus applicable margins based on average quarterly availability under the Restated BofA Agreement. Interest payments are due monthly, payable in arrears. We are also required to pay an annual non-use fee on unused amounts, as well as other customary fees as are set forth in the Restated BofA Agreement. The Restated BofA Agreement contains customary affirmative and negative covenants and certain financial covenants. Among other restrictions, the Company is restricted in its ability to incur additional debt, make acquisitions or investments, dispose of assets, or make distributions unless in each case certain conditions are satisfied. Through the end of fiscal 2020, the Company is required to achieve (i) a minimum net sales amount for each three consecutive months, measured at the end of each month, and (ii) a trailing 12-month minimum adjusted EBITDA amount, measured at the end of each month. In addition, if availability falls below a specified amount, a springing covenant would be in effect requiring the Company to maintain a fixed charge coverage ratio at the end of each fiscal month of at least 1.0 to 1.0 for the twelve-month period then ended.

As of March 28, 2020, the interest rate for base-rate loans and LIBOR-rate loans under the Restated BofA Agreement were 5.0% and 3.50%, respectively. At March 28, 2020, the amount outstanding on the Restated BofA Agreement at March 28, 2020 was \$28,063, total borrowing capacity was \$33,689, and borrowing availability was \$5,626.

*Term Loan Agreement.* We and our wholly owned subsidiary, Summer Infant (USA), Inc., as borrowers, and certain of our subsidiaries as guarantors, are parties to a Term Loan and Security Agreement with Pathlight Capital LLC, as agent, pursuant to which we received a \$17,500 term loan (as it may be amended from time to time, the "Term Loan Agreement"). The below discussion of the Term Loan Agreement reflects the terms of the most recent amendment executed in April 2020. See Note 8 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of the April 2020 amendments. In connection with the March 2020 amendment to the Term Loan Agreement, principal payments on the term loan were suspended for 2020 have been suspended, to resume in March 2021. In addition, the term loan began to accrue PIK (payment in kind) interest at an annual rate of 4.0% in March 2020, which interest will become payable upon repayment of the term loan or earlier upon the occurrence of certain events. The term loan matures on June 28, 2023. Obligations under the Term Loan Agreement are also subject to a prepayment penalty if the term loan is repaid prior to the third anniversary of the closing of the term loan. The term loan is secured by a lien on certain assets of the Company, including a first priority lien on intellectual property, machinery and equipment, and a pledge of (i) 100% of the ownership interests of domestic subsidiaries and (ii) 65% of the ownership interests in certain foreign subsidiaries of the Company, and a junior lien on certain assets subject to the liens under the asset-based revolving credit facility, and certain of our subsidiaries are guarantors.

The Term Loan Agreement contains customary affirmative and negative covenants and certain financial covenants that are substantially the same as the Restated BofA Agreement described above.

As of March 28, 2020, the interest rate on the Term Loan was 10.6% of cash interest and 4.0% of PIK interest. The amount outstanding on the Term Loan at March 28, 2020 was \$16,406.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

### **ITEM 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as of March 28, 2020. Our Chief Executive Officer and Chief Financial Officer have concluded, based on this evaluation, that our controls and procedures were effective as of March 28, 2020.

#### *Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

The Company is a party to various routine claims, litigation and administrative complaints incidental to its business, including claims involving product liability, employee matters and other general liability claims, most of which are covered by insurance. We are not aware of any such proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, results of operations or financial condition.

### ITEM 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, “Risk Factors,” of our 2019 Form 10-K, other than the following:

***The recent COVID-19 pandemic and resulting worldwide economic conditions are adversely affecting, and may continue to adversely affect, our operations, financial condition, results of operations and cash flows.***

In late 2019, a novel strain of coronavirus, COVID-19, was identified in China and has since spread globally and was declared a pandemic by the World Health Organization in March 2020. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. We began to see an impact from the COVID-19 on our results of operations at the end of March, and we expect it to continue to adversely affect our business in the short term and potentially in the long term. The pandemic exposes us to a number of risks, including the following:

- **Operational risks.** As previously disclosed, we experienced some supply chain disruption in the first quarter as most of our product is sourced from China, which experienced widespread shutdowns in response to the COVID-19 outbreak. While we have seen production from China returning to normal levels, if there is another outbreak of COVID-19 in China, our supply chain could again be disrupted. Our suppliers located in other countries may also experience shutdowns due to COVID-19 that may impact our supply chain, as currently is the case with our supplier in Mexico.

In the U.S., we have continued to operate our distribution center in California, as products are considered “essential.” While we have implemented additional safety measures for our workers in the distribution center, we may be required to temporarily close the facility if there are any confirmed cases of COVID-19 at the facility, which would impact our ability to timely ship product to our customers.

- **Customer-related risks.** In response to the COVID-19 pandemic, some of our customers have had to close retail stores. As stores reopen, we expect that orders from these customers will return to a more normal level, however we cannot predict when such reopenings will occur, or if demand from consumers will be at the same level as it was prior to the COVID-19 pandemic. To the extent these customers, especially our mid-size and smaller customers experience financial difficulties as a result of the pandemic, we may see these customers permanently close stores, reduce orders, or file for bankruptcy, thus impacting sales.

In addition to the specific risks to our business noted above, we will also be subject to the long-term effects the COVID-19 pandemic may have on the U.S. economy as a whole. The U.S. is experiencing unprecedented unemployment and a possible economic recession that would likely impact consumer discretionary spending, and therefore demand for our products.

In addition to the risks noted above, the COVID-19 pandemic may also heighten other risks described in our 2019 Form 10-K. The magnitude of the impact of the COVID-19 pandemic will be determined by the length of time that the pandemic continues, and while government authorities’ measures relating to the pandemic may be relaxed as the pandemic abates, these measures may be reinstated as the pandemic continues to evolve.

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### ITEM 3. Defaults Upon Senior Securities

None.



**ITEM 4. Mine Safety Disclosures**

Not applicable.

**ITEM 5. Other Information.**

On March 24, 2020, the Company and Summer Infant (USA), Inc., as borrowers, and certain of the Company's subsidiaries as guarantors entered into a letter agreement with Pathlight Capital LLC, as agent, regarding the Term Loan Agreement to correct an error in the definition of "IP Advance Rate" as set forth in March 2020 amendment to the Term Loan Agreement. A copy of the letter agreement is filed herewith as Exhibit 10.6 and incorporated herein by reference.

Due to the COVID-19 pandemic, the Company currently anticipates that its 2020 annual meeting of stockholders (the "2020 Annual Meeting") will be held on September 9, 2020. Because the date of the 2020 Annual Meeting represents a change of more than 30 days from the anniversary of the Company's 2019 annual meeting of stockholders, in accordance with Rule 14a-5(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is informing stockholders of this change.

The time and location of the 2020 Annual Meeting will be specified in the Company's proxy statement for the 2020 Annual Meeting. Because the date of the 2020 Annual Meeting has been changed by more than 30 days from the anniversary of the 2019 annual meeting, new deadlines have been set for submission of proposals by stockholders intended to be included in the Company's proxy statement for the 2020 Annual Meeting.

Pursuant to Rule 14a-8 under the Exchange Act, a stockholder intending to present a proposal to be included in the proxy statement for the 2020 Annual Meeting must deliver a proposal in writing to our principal executive offices no later than a reasonable time before we begin to print and mail the proxy materials for the 2020 Annual Meeting. Such proposal must also comply with the applicable requirements as to form and substance established by the Securities and Exchange Commission if those proposals are to be included in the proxy statement and form of proxy. Accordingly, the new deadline for submission of proposals to be included in the proxy statement for the 2020 Annual Meeting is July 11, 2020.

The Company's Bylaws set forth advance notice procedures with regard to other stockholder proposals, including nominations for the election of directors and business proposals to be brought before an annual meeting of stockholders by any stockholder (other than matters included in our proxy materials in accordance with Rule 14a-8 under the Exchange Act). With respect to the 2020 Annual Meeting, such notice will be considered timely if we receive notice of such proposed director nomination or the proposal of other business at our corporate offices in Woonsocket, Rhode Island, not earlier than the close of business on June 11, 2020 and not later than the close of business on July 11, 2020.

**ITEM 6. Exhibits**

The exhibits listed in the Exhibit Index immediately preceding the signature page hereto are filed as part of this Quarterly Report on Form 10-Q.

## EXHIBIT INDEX

Exhibit No.	Description
<a href="#"><u>3.1</u></a>	<a href="#"><u>Amended and Restated Certificate of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K filed on March 18, 2020)</u></a>
<a href="#"><u>10.1+*</u></a>	<a href="#"><u>Amendment to Engagement Letter, dated February 28, 2020, between Summer Infant, Inc. and Winter Harbor LLC</u></a>
<a href="#"><u>10.2*</u></a>	<a href="#"><u>Amendment No. 3 to Second Amended and Restated Loan and Security Agreement, dated as of January 17, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Bank of America, N.A., as agent for the lenders (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2020)</u></a>
<a href="#"><u>10.3*</u></a>	<a href="#"><u>Amendment No. 3 to Term Loan and Security Agreement, dated as of January 17, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Pathlight Capital LLC, as agent for the lenders (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2020)</u></a>
<a href="#"><u>10.4*</u></a>	<a href="#"><u>Amendment No. 4 to Second Amended and Restated Loan and Security Agreement, dated as of March 10, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Bank of America, N.A., as agent for the lenders (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 12, 2020)</u></a>
<a href="#"><u>10.5*</u></a>	<a href="#"><u>Amendment No. 4 to Term Loan and Security Agreement, dated as of March 10, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Pathlight Capital LLC, as agent for the lenders (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 12, 2020)</u></a>
<a href="#"><u>10.6+</u></a>	<a href="#"><u>Letter Agreement, dated March 24, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Pathlight Capital LLC, as agent for the lenders</u></a>
<a href="#"><u>10.7+*</u></a>	<a href="#"><u>Amendment No. 5 to Second Amended and Restated Loan and Security Agreement, dated as of April 29, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Bank of America, N.A., as agent for the lenders</u></a>
<a href="#"><u>10.8+*</u></a>	<a href="#"><u>Letter Agreement, dated April 29, 2020, among Summer Infant, Inc. and Summer Infant (USA), Inc., as borrowers, the guarantors from time to time party thereto, the financial institutions from time to time party thereto as lenders, and Pathlight Capital LLC, as agent for the lenders</u></a>
<a href="#"><u>31.1+</u></a>	<a href="#"><u>Certification of Chief Executive Officer</u></a>
<a href="#"><u>31.2+</u></a>	<a href="#"><u>Certification of Chief Financial Officer</u></a>
<a href="#"><u>32.1+</u></a>	<a href="#"><u>Section 1350 Certification of Chief Executive Officer</u></a>
<a href="#"><u>32.2+</u></a>	<a href="#"><u>Section 1350 Certification of Chief Financial Officer</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Portions of this exhibit have been omitted for confidential treatment pursuant to Regulation S-K, Item 601(b)(10).  
+ Filed herewith.

## Signatures

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.

### Summer Infant, Inc.

Date: May 12, 2020

By: /s/ Stuart Noyes  
Stuart Noyes  
Interim Chief Executive Officer  
(Principal Executive Officer)

Date: May 12, 2020

By: /s/ Paul Francese  
Paul Francese  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [\*\*\*], HAS BEEN OMITTED PURSUANT TO REGULATION S-K, ITEM 601(b)(10) BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.**



**PROPRIETARY AND CONFIDENTIAL**

**Amendment to Engagement Letter**

This Amendment (the "Amendment") is to the Interim Chief Executive Officer Services Engagement Letter, dated December 6, 2019 and effective as of December 9, 2019 (the "Original Engagement Letter"), between Winter Harbor LLC ("Winter Harbor") and Summer Infant, Inc. and its various affiliates and subsidiaries ("Summer Infant" or the "Company").

The parties hereby agree to amend the Fees and Expenses section of the Original Engagement Letter to add the following:

- (a) Beginning the week of February 23, 2020 until the Agreement is terminated, the weekly fee shall be fixed at \$40,000.
- (b) If, prior to the termination of this Agreement, the Company consummates a transaction constituting a "Change in Control" (as defined in the Company's Change In Control Plan), the Company shall pay Winter Harbor a success fee, payable at closing, based on the per share consideration received by the holders of the Company's common stock (net of transaction expenses and after repayment of any debt) in the transaction as set forth on the attached Schedule A.
- (c) Out-of-pocket expenses (including transportation, lodging, meals, communications, supplies, etc.) will be billed weekly at the actual amounts incurred.

This Amendment shall be deemed effective upon execution of the Amendment by each of the parties below. Except to the extent expressly provided in this Amendment, the terms and conditions of the Original Engagement Letter shall remain in full force and effect. This Amendment and the Original Engagement Letter constitute and contain the entire agreement of the parties hereto and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof.

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WINTER HARBOR LLC

By: /s/ Stuart W. Noyes

Name: Stuart W. Noyes

Title: Member and Managing Partner

Date: February 28, 2020

SUMMER INFANT, INC.

By: /s/ Paul Francese

Name: Paul Francese

Title: CFO

Date: February 28, 2020

\_\_\_\_\_

SCHEDULE A

Share Price*:	\$	[***]	\$	[***]	\$	[***]	\$	[***]	\$	[***]	\$	[***]	\$	[***]
Bonus:	\$	50,000	\$	100,000	\$	250,000	\$	300,000	\$	375,000	\$	450,000	\$	550,000

\* Share price to be appropriately adjusted if the Company subdivides outstanding shares of Common Stock into a larger number of shares, or combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares.

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PATHLIGHT CAPITAL LLC  
18 Shipyard Drive, Suite 2C  
Hingham, MA 02043

March 24, 2020

Summer Infant (USA), Inc.  
1275 Park East Drive  
Woonsocket, RI 02895  
Attn: Stuart Noyes, CEO

Re: Loan Arrangement with Summer Infant, Inc., et al.

Reference is made to that certain Term Loan and Security Agreement, dated as of June 28, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), between and among Summer Infant, Inc. and Summer Infant (USA), Inc., as "Borrowers" ("Borrowers"), the guarantors from time to time party to the Loan Agreement referenced below ("Guarantors"), and together with Borrowers, "Obligors"), certain financial institutions from time to time party to the Loan Agreement referenced below ("Lenders"), and Pathlight Capital LLC, in its capacity as "Agent" for the Lenders under the Loan Agreement referenced below ("Agent").

Reference is further made to that certain Amendment No 4 to Term Loan and Security Agreement ("Amendment No. 4"), dated as of March 10, 2020, between and among Borrowers, the other Obligors, Lenders, and Agent. Capitalized terms used herein which are defined in the Loan Agreement have the same meanings herein as therein, except to the extent such terms are amended hereby.

Borrowers, Obligors, Lenders and Agent agree that anything in Amendment No. 4 to the contrary notwithstanding, effective as of the Fourth Amendment Effective Date the definition of "IP Advance Rate" is hereby amended and restated by deleting the text thereof in its entirety and substituting in its place the following:

“IP Advance Rate: means forty-eight and seventy-five one hundredths percent (48.75%); provided, that effective as of the earlier of (i) the due date for the delivery of the Borrowing Base Certificate for September 2020 (as determined by Section 8.1 hereof), and (ii) the date of delivery of the Borrowing Base Certificate due for September 2020, and continuing monthly thereafter, the IP Advance Rate shall be reduced by one percent (1.0%) per month from the rate then in effective for the immediately preceding month.”

Except to the extent expressly provided in this letter, the terms and conditions of the Loan Agreement and each other Loan Document shall remain in full force and effect. This letter, the Loan Agreement and the other Loan Documents constitute and contain the entire agreement of the parties hereto and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof.

Further to our discussions, we ask that the Borrower Agent confirm Borrowers' agreement to the foregoing matters by countersigning a copy of this letter in the space provided below and thereafter returning a signed copy to the undersigned at your earliest opportunity.

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Summer Infant (USA), Inc.  
Attn: Stuart Noyes, CEO  
March 24, 2020  
Page 2 of 3

This letter shall be deemed to be a Loan Document for all purposes.

Please do not hesitate to contact us with any questions that you may have.

Very truly yours,

PATHLIGHT CAPITAL LLC,  
as Agent

By /s/ Kyle Shonak  
Name: Kyle Shonak  
Title: Managing Director

*[Signatures continued on the following page]*

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THE FOREGOING IS ACKNOWLEDGED  
AND AGREED TO:

**BORROWERS:**

**SUMMER INFANT, INC.**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**SUMMER INFANT (USA), INC.**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**GUARANTORS:**

**SUMMER INFANT CANADA, LIMITED**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**SUMMER INFANT EUROPE LIMITED**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

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CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [\*\*\*], HAS BEEN OMITTED PURSUANT TO REGULATION S-K, ITEM 601(b)(10) BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.

**AMENDMENT NO. 5 TO  
SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This AMENDMENT NO 5 TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this “Amendment”) is dated as of April 29, 2020 by and among **SUMMER INFANT, INC.** and **SUMMER INFANT (USA), INC.**, as “Borrowers” under the Loan Agreement referenced below (“Borrowers”), the guarantors from time to time party to the Loan Agreement referenced below (“Guarantors”, and together with Borrowers, “Obligors”), **BANK OF AMERICA, N.A.**, in its capacity as the sole existing “Lender” under the Loan Agreement referenced below (“Sole Lender”), and **BANK OF AMERICA, N.A.**, in its capacity as “Agent” for the Lenders under the Loan Agreement referenced below (“Agent”).

**RECITALS:**

WHEREAS, reference is made to that certain Second Amended and Restated Loan and Security Agreement dated as of June 28, 2018, as previously amended, by and among Obligors, Sole Lender and Agent (as amended, restated, supplemented or otherwise modified from time to time, the “Loan Agreement”), pursuant to which Agent and Sole Lender have made certain loans and financial accommodations available to the Borrowers;

WHEREAS, Obligors have requested that Agent and Sole Lender agree, and Agent and Sole have agreed, to amend the Loan Agreement and the other Loan Documents on the terms and subject to satisfaction of the conditions set forth in this Amendment; and

WHEREAS, each Obligor is entering into this Amendment with the understanding and agreement that, except as specifically provided herein, none of Agent’s or any Lender’s rights or remedies as set forth in the Loan Agreement and the other Loan Documents are being waived or modified by the terms of this Amendment.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements and covenants herein contained and for the purposes of setting forth the terms and conditions of this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be bound, hereby agree as follows:

**AGREEMENT**

1. **Capitalized Terms**. Capitalized terms used herein which are defined in the Loan Agreement have the same meanings herein as therein, except to the extent such terms are amended hereby.

2. **Acknowledgements and Stipulations**. In order to induce Agent and Sole Lender to enter into this Amendment, each Obligor acknowledges, stipulates and agrees that:

(a) **Recitals True and Correct**. Each of the Recitals contained at the beginning of this Amendment is true and correct;

(b) **Obligations Outstanding**. Obligors hereby acknowledge and agree that, in accordance with the terms and conditions of the Loan Documents, each Obligor is liable to Agent and Lenders for all of the Obligations, including, without limitation, (a) for all principal and accrued interest owed under the Loan Documents, whether now due or hereafter accruing; and (b) for all fees, and all Extraordinary Expenses (including reasonable attorneys’ fees and expenses) heretofore or hereafter incurred by Agent and/or any Lender in connection with the protection, preservation, and enforcement by Agent and Lenders of its/their rights and remedies under the Loan Documents and/or this Amendment, including, without limitation, the negotiation and preparation of this Amendment, and any of the other documents, instruments or agreements executed in connection therewith;

(c) No Defense or Counterclaim. All of the Loans and other Obligations are not subject to any defense, deduction, offset or counterclaim by Obligors to Lenders (and, to the extent any Obligor had any such defense, deduction, offset or counterclaim on the date hereof, the same is hereby waived by each such Obligor in accordance with Section 8 below);

(d) Loan Documents Binding and Enforceable. The Loan Documents executed by Obligors are legal, valid and binding obligations enforceable against each Obligor in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally;

(e) Liens Valid. The Liens granted by Obligors to Agent, for the benefit of itself and the Lenders, in the Collateral are valid and duly perfected, first-priority liens, subject only to any Permitted Encumbrances;

(f) Security Interest Ratification. Each Obligor hereby ratifies, confirms and reaffirms that all security interests and Liens granted pursuant to the Loan Documents secure and shall continue to secure the payment and performance of all of the Obligations and liabilities pursuant to the Loan Documents, whether now existing or hereafter arising; and

(g) Legal Counsel. Prior to executing this Amendment, Obligors consulted with and had the benefit of advice of legal counsel of its/their own selection and has relied upon the advice of such counsel, and in no part upon the representations of Agent or Sole Lender, or any counsel to Agent or Sole Lender, concerning the legal effects of this Amendment or any provision hereof.

### 3. Amendments to the Loan Agreement.

(a) Section 1.1 of the Loan Agreement is hereby amended as follows:

1) The definition of "Applicable Margin or Applicable Unused Line Fee Rate" in Section 1.1 of the Loan Agreement is hereby amended and restated as follows:

"Applicable Margin or Applicable Unused Line Fee Rate: with respect to any Type of Loan, the margin set forth below, or with respect to the unused line fees payable under **Section 3.2.1**, the rate per annum set forth below, in each case, as determined for the most recently ended Fiscal Quarter:

Level	Average Quarterly Availability	Base Rate Revolver Loans	LIBOR Revolver Loans	Applicable Unused Line Fee Rate
I	>\$30,000,000	2.25%	3.25%	0.50%
II	≤\$30,000,000	2.50%	3.50%	0.50%

Until Agent shall have received the Revolver Borrowing Base Certificates for each week through the week ending May 16, 2020, the Applicable Margin and the Applicable Unused Line Fee Rate shall be determined as if Level II were applicable. Thereafter, the Applicable Margin and the Applicable Unused Line Fee Rate shall be determined based upon Average Quarterly Availability for each Fiscal Quarter as determined by Agent based upon the Revolver Borrowing Base Certificates delivered pursuant to **Section 8.1** for each week during such Fiscal Quarter, which determination shall be effective on the first day of the calendar month after receipt by Agent of the Revolver Borrowing Base Certificate for the last week in such Fiscal Quarter. If any financial statement, Revolver Borrowing Base Certificate, Term Loan Borrowing Base Certificate or Compliance Certificate due in the preceding month has not been received, then, at the option of Agent or Required Lenders, the Applicable Margin and the Applicable Unused Line Fee Rate shall be determined as if Level II were applicable, from such day until the first day of the calendar month following actual receipt.”

2) The definition of “LIBOR” is hereby amended and restated as follows:

“LIBOR: the per annum rate of interest (rounded up to the nearest 1/8th of 1% and in no event less than zero) determined by Agent at or about 11:00 a.m. (London time) two Business Days prior to an interest period, for a term equivalent to such period, equal to the London Interbank Offered Rate, or comparable or successor rate approved by Agent, as published on the applicable Reuters screen page (or other commercially available source designated by Agent from time to time); provided, that any comparable or successor rate shall be applied by Agent, if administratively feasible, in a manner consistent with market practice; and provided further, that in no event shall LIBOR be less than 0.75%.”

(b) Section 10.3.2 of the Loan Agreement is hereby amended by deleting the chart set forth in such Section in its entirety and replacing such chart with the following:

<u>Three Fiscal Month Period</u>	<u>Minimum Net Sales</u>
January - March 2020	\$[***]
February – April 2020	\$[***]
March – May 2020	\$[***]
April – June 2020	\$[***]
May – July 2020	\$[***]
June - August 2020	\$[***]
July – September 2020	\$[***]
August – October 2020	\$[***]
September – November 2020	\$[***]
October – December 2020	\$[***]

(c) Section 10.3.3 of the Loan Agreement is hereby amended by deleting the chart set forth in such Section in its entirety and replacing such chart with the following:

<u>Trailing Twelve Month Period Ending</u>	<u>Minimum EBITDA</u>
March 28, 2020	\$[***]
April 30, 2020	\$[***]
May 29, 2020	\$[***]
June 30, 2020	\$[***]
July 31, 2020	\$[***]
August 31, 2020	\$[***]
September 30, 2020	\$[***]
October 30, 2020	\$[***]
November 30, 2020	\$[***]
December 31, 2020	\$[***]

4. **Amendment Fee.** For the accommodations reflected in this Amendment, Borrowers shall pay to Agent, for the benefit of itself and Sole Lender, a one-time amendment fee in an amount equal to \$12,000.00 (the "**Amendment Fee**"). Borrowers agree that such Amendment Fee shall be fully earned by Agent and Sole Lender on the date hereof and payable by Borrowers to Agent and Sole Lender upon the earliest to occur of (i) a sale or merger of the Borrowers and/or a sale of a material portion of the Borrowers' assets, (ii) the repayment in full of the Revolver Loans and the termination of the Revolver Commitments and (iii) the occurrence of a Default or Event of Default. The Amendment Fee is in addition to any other fee set forth in the Loan Documents and shall not be refundable for any reason whatsoever.

5. **Consent to Term Loan Agreement Amendment.** Agent and Sole Lender hereby consent to the execution and delivery of that certain Letter Agreement dated as of the date hereof by and among Obligors, the lenders party thereto, and the Term Loan Agent (the "**Term Loan Agreement Amendment**"), and the amendments to the Term Loan Agreement set forth therein. The consent of Agent and Sole Lender to the Term Loan Agreement Amendment shall also constitute requisite consent under Section 5.2(b) of the Intercreditor Agreement, to the amendments to the Term Loan Agreement described in the Term Loan Agreement Amendment.

6. **No Default; Representations and Warranties, Etc.** Obligors hereby represent, warrant and confirm that: (a) after giving effect to this Amendment, all representations and warranties of Obligors in the Loan Agreement and the other Loan Documents are true and correct in all material respects (without duplication of any materiality qualifier contained therein) on and as of the date hereof as if made on such date (except to the extent that such representations and warranties expressly relate to or are stated to have been made as of an earlier date, in which case, such representations and warranties shall be true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such earlier date); (b) after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing; and (c) the execution, delivery and performance by Obligors of this Amendment and all other documents, instruments and agreements executed and delivered in connection herewith or therewith (i) have been duly authorized by all necessary action on the part of Obligors (including any necessary shareholder consents or approvals), (ii) do not violate, conflict with or result in a default under and will not violate or conflict with or result in a default under any applicable law or regulation, any term or provision of the organizational documents of any Obligor or any term or provision of any material indenture, agreement or other instrument binding on any Obligor or any of its assets, and (iii) do not require the consent of any Person which has not been obtained.

7. **Ratification and Confirmation.** Obligors hereby ratify and confirm all of the terms and provisions of the Loan Agreement and the other Loan Documents and agree that all of such terms and provisions, as amended hereby, remain in full force and effect. Without limiting the generality of the foregoing, Obligors hereby acknowledge and confirm that all of the "Obligations" under and as defined in the Loan Agreement are valid and enforceable and are secured by and entitled to the benefits of the Loan Agreement and the other Loan Documents, and Obligors hereby ratify and confirm the grant of the liens and security interests in the Collateral in favor of Agent, for the benefit of itself and Lenders, pursuant to the Loan Agreement and the other Loan Documents, as security for the Obligations.

8. **Waiver; Release.** To induce Agent and Sole Lender to enter into this Amendment, including providing the waivers provided for herein, and for other good and valuable consideration, each Obligor hereby forever waives, relieves, releases, and forever discharges Agent and Sole Lender, together with its respective present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims, or by reason of any matter, cause or anything whatsoever existing or arising from the beginning of time through and including the date of execution of this Amendment relating to or arising out of the Loan Agreement and any of the Loan Documents or otherwise, including, without limitation, any actual or alleged act or omission of or on behalf of Agent and/or Sole Lender with respect to the Loan Documents and any security interest, Liens or Collateral in connection therewith, or the enforcement of any of Agent and/or Sole Lender's rights or remedies thereunder (collectively "Released Claims"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Agreement and the other Loan Documents, this Amendment, the Recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing, and/or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

(a) By entering into this release, each Obligor recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of each Obligor hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if any Obligor should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, no Obligor shall be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Each Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Agent or Sole Lender with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

(b) This release may be pleaded as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Each Obligor acknowledges that the release(s) contained herein constitute(s) a material inducement to Agent and Sole Lender to enter into this Amendment, and that Agent and Sole Lender would not have done so but for Agent's and Sole Lenders' expectation that such release(s) is valid and enforceable in all events.

(c) Each Obligor hereby represents and warrants to Agent and Sole Lender, and Agent and Sole Lenders are relying thereon, as follows:

i. Except as expressly stated in this Amendment, neither Agent nor Sole Lender nor any other agent, employee or representative of Agent and/or Sole Lender, has made any statement or representation to any Obligor regarding any fact relied upon by such Obligor in entering into this Amendment;

ii. Each Obligor has made such investigation of the facts pertaining to this Amendment and all of the matters appertaining thereto, as it deems necessary;

iii. The terms of this Amendment are contractual and not a mere recital; and



iv. This Amendment has been carefully read by each Obligor, the contents hereof are known and understood by each such Obligor, and this Amendment is signed freely, and without duress, by any Obligor.

(d) Each Obligor further represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Each Obligor shall indemnify Agent and Sole Lender, and defend and hold it/them harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

**9. Expenses of Agent and Sole Lender.** Borrowers agree to pay, on demand, all reasonable costs and expenses incurred by Agent and Sole Lender in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all agreements, amendments, modifications, and supplements to the Loan Agreement, including, without limitation, the reasonable fees of Agent's and Sole Lenders' legal counsel and any taxes or expenses associated with or incurred in connection with any instrument or agreement referred to herein or contemplated hereby. Each Borrower acknowledges that Agent and Sole Lender may charge any and all such reasonable fees, costs and expenses to Borrowers' Loan Account in accordance with the Loan Agreement, and Agent and Sole Lender agree to promptly provide all invoices to Borrowers related to such fees, costs and expenses after charging the Loan Account therefor.

**10. Conditions to Effectiveness of Amendment.** This Amendment shall become effective as of the date when, and only when, each of the following conditions precedent shall have been satisfied or waived in writing by Agent (such date being defined as the "Effective Date"):

- (a) Agent shall have received counterparts to this Amendment, duly executed by Agent, Sole Lender, and Obligors; and
- (b) Agent shall have received a true and complete copy of the fully executed Term Loan Agreement Amendment.

**11. Reservation of Rights.** This Amendment shall be limited precisely as written and, except as expressly set forth herein, neither the fact of Agent and Sole Lender's agreement to enter into this Amendment nor any other term or provisions herein shall, or shall be deemed or construed to, (i) be a consent to any forbearance, waiver, amendment or modification of any term, provision or condition of the Loan Documents, (ii) affect, impair, operate as a waiver of, or prejudice any right, power or remedy which Agent and Sole Lender may now or hereafter have pursuant to the Loan Documents or any other document, agreement, security agreement or instrument executed in connection with or related to the Loan Documents, or at law or in equity or by statute including, without limitation, with regard to any existing or hereafter arising Event of Default, (iii) impose upon Agent or Sole Lender any obligation, express or implied, to consent to any amendment or further modification of the Loan Documents, or (iv) be a consent to any waiver of any existing Event of Default. Agent and Sole Lender each hereby expressly reserves all rights, powers and remedies specifically given to it under the Loan Documents or now or hereafter existing at law, in equity or by statute.

**12. Miscellaneous.**

(a) **Further Assurances.** The Obligors shall take such further actions, and execute and deliver to Agent and Lenders such additional assignments, agreements, supplements, powers and instruments, as Agent and/or Lenders may deem necessary or appropriate, wherever required by law, in order to perfect, preserve and protect the security interest in the Collateral and the rights and interests granted to Agent and Lenders under the Loan Agreement and the other Loan Documents, or to permit Agent and Lenders to exercise and enforce their rights, powers and remedies with respect to any Collateral. Without limiting the generality of the foregoing, but subject to applicable law, the Obligors shall make, execute endorse, acknowledge, file or refile and/or deliver to Agent from time to time upon request such lists, descriptions and designations of the Collateral, copies of warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules confirmatory assignments, supplements, additional security agreements, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports, and other assurances or instruments.

(b) **Full Force and Effect; Entire Agreement.** Except to the extent expressly provided in this Amendment, the terms and conditions of the Loan Agreement and each other Loan Document shall remain in full force and effect. This Amendment, the Loan Agreement and the other Loan Documents constitute and contain the entire agreement of the parties hereto and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof.

(c) **Non-Waiver.** Except as specifically provided herein, none of this Amendment or Agent's and/or any Lender's continued making of Term Loans or other extensions of credit at any time extended to Borrowers in accordance with this Amendment, the Loan Agreement, and the other Loan Documents shall be deemed a waiver of or consent to any Default or Event of Default. Obligors agree that any such Default and/or Event of Default, if any, shall not be deemed to have been waived, released or cured by virtue of Term Loans or other extensions of credit at any time extended to Borrowers, or by Agent's and/or Sole Lender's agreements provided for herein. Nothing in this Amendment shall restrict Agent's or Sole Lender's ability to take or refrain from taking or exercise any right that may exist under the Loan Documents.

(d) **Counterparts.** This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by telecopier, pdf or by other electronic means acceptable to Agent (including, without limitation, by electronic signature to the extent acceptable to Agent) shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telecopier, pdf or other electronic means (including by electronic signature) shall also deliver an original executed counterpart of this Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

(e) **No Third Parties Benefited.** This Amendment is made and entered into for the sole benefit of the Obligors, Agent and the Lenders, and their permitted successors and assigns, and except as otherwise expressly provided in this Amendment, no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment.

(f) **Governing Law.** THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THEREOF (BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

(g) **Severability.** In case any provision in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(h) **Jury Trial Waiver.** BORROWERS, GUARANTORS, AGENT AND SOLE LENDER EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AMENDMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES TO THIS AMENDMENT IN RESPECT OF THIS AMENDMENT OR THE OTHER LOAN DOCUMENTS OR THE RELATED TRANSACTIONS, INCLUDING, WITHOUT LIMITATION, THE OBLIGATIONS OF BORROWERS, THE COLLATERAL, OR ANY INSTRUMENT OR DOCUMENT DELIVERED PURSUANT TO THIS AMENDMENT, OR THE VALIDITY, PROTECTION, INTERPRETATION, ADMINISTRATION, COLLECTION OR ENFORCEMENT OF THIS AMENDMENT OR ANY OF THE OTHER LOAN DOCUMENTS, WHETHER NOW EXISTING OR HEREAFTER ARISING, WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWERS, GUARANTORS, AGENT AND SOLE LENDER EACH HEREBY AGREES THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT SUCH OBLIGOR PARTY OR LENDER MAY FILE AN ORIGINAL COUNTERPART OF THIS AMENDMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO A TRIAL BY JURY.

(i) **Loan Document.** This Amendment shall be deemed to be a Loan Document for all purposes.

*[Remainder of page intentionally left blank]*  
*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have executed this Amendment which shall be deemed to be a sealed instrument as of the date first above written.

**BORROWERS:**

**SUMMER INFANT, INC.**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**SUMMER INFANT (USA), INC.**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**GUARANTORS:**

**SUMMER INFANT CANADA, LIMITED**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**SUMMER INFANT EUROPE LIMITED**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

*[Signature Page to Amendment No. 5 to Second Amended and Restated Loan and Security Agreement]*

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**AGENT:**

**BANK OF AMERICA, N.A.,**  
as Agent

By /s/ Cynthia Stannard  
Name: Cynthia Stannard  
Title: Senior Vice President

**LENDER:**

**BANK OF AMERICA, N.A.,**  
as Sole Lender

By /s/ Cynthia Stannard  
Name: Cynthia Stannard  
Title: Senior Vice President

*[Signature Page to Amendment No. 5 to Second Amended and Restated Loan and Security Agreement]*

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**CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [\*\*\*], HAS BEEN OMITTED PURSUANT TO REGULATION S-K, ITEM 601(b)(10) BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.**



April 28, 2020

Summer Infant, Inc.  
1275 Park East Drive  
Woonsocket, RI 02895  
Attn: Paul Francese  
Chief Financial Officer

Re: Pathlight Capital/Summer Infant

Gentlemen:

Reference is hereby made to that certain (a) Term Loan and Security Agreement, dated as of June 28, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and among Summer Infant, Inc. and Summer Infant (USA), Inc., as "Borrowers" ("Borrowers"), the guarantors from time to time party to the Loan Agreement ("Guarantors"), and together with Borrowers, "Obligors"), certain financial institutions from time to time party to the Loan Agreement ("Lenders"), and Pathlight Capital LLC, in its capacity as "Agent" for the Lenders under the Loan Agreement ("Agent"), and (b) Amendment No 4 to Term Loan and Security Agreement, dated as of March 10, 2020 (as amended, restated, supplemented or otherwise modified from time to time, "Amendment No. 4"), by and among Obligors, Lenders, and Agent.

Borrowers have requested that Agent and Lenders amend certain provisions of Amendment No. 4 and provide certain other accommodations to Borrowers. Notwithstanding that the Agent and Lenders are under no obligation to amend Amendment No. 4 (and thereby the Loan Agreement) and/or provide any other accommodations to Borrowers, the Agent and Lenders are willing to make certain additional accommodations as requested by the Borrowers, such that the Borrowers, the Agent and Lenders have agreed to amend Amendment No. 4 (and thereby the Loan Agreement) on the terms and subject to satisfaction of the conditions set forth below.

In furtherance thereof, Obligors, Agent and Lenders hereby agree that Amendment No. 4 shall be amended as set forth below:

1. Section 3(e) of Amendment No. 4 shall be amended by deleting the chart applicable to Section 10.3.2 therein and substituting in its place the following chart:

*[Remainder of page intentionally left blank]*

Pathlight Capital LLC, 18 Shipyard Drive, Hingham, MA 02043

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**Minimum Rolling 3 Month Sales**

<b><u>Period Ended (2020)</u></b>	<b><u>New Test (\$)</u></b>
March	\$ [***]
April	\$ [***]
May	\$ [***]
June	\$ [***]
July	\$ [***]
August	\$ [***]
September	\$ [***]
October	\$ [***]
November	\$ [***]
December	\$ [***]

2. Section 3(e) of Amendment No. 4 shall be amended by deleting the chart applicable to Section 10.3.3 therein and substituting in its place the following chart:

**LTM Adjusted EBITDA**

<b><u>Period Ended (2020)</u></b>	<b><u>New Test (\$)</u></b>
March	\$ [***]
April	\$ [***]
May	\$ [***]
June	\$ [***]
July	\$ [***]
August	\$ [***]
September	\$ [***]
October	\$ [***]
November	\$ [***]
December	\$ [***]

In addition to the foregoing, Obligors, Agent and Lenders hereby agree that the definition of “LIBOR” in Section 1.01 of the Loan Agreement shall be amended as set forth below:

“LIBOR: the per annum rate of interest (rounded up to the nearest 1/8th of 1% and in no event less than zero) determined by Agent at or about 11:00 a.m. (London time) two Business Days prior to an interest period, for a term equivalent to such period, equal to the London Interbank Offered Rate, or comparable or successor rate approved by Agent, as published on the applicable Reuters screen page (or other commercially available source designated by Agent from time to time); provided, that any comparable or successor rate shall be applied by Agent, if administratively feasible, in a manner consistent with market practice; and provided further, that in no event shall LIBOR be less than 0.75%.”

Obligors hereby represent, warrant and confirm that: (a) after giving effect to the agreements provided in this Letter, all representations and warranties of Obligors in the Loan Agreement and the other Loan Documents are true and correct in all material respects (without duplication of any materiality qualifier contained therein) on and as of the date hereof as if made on such date (except to the extent that such representations and warranties expressly relate to or are stated to have been made as of an earlier date, in which case, such representations and warranties shall be true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such earlier date); and (b) after giving effect to the agreements provided in this Letter, no Default or Event of Default has occurred and is continuing.

Pathlight Capital LLC, 18 Shipyard Drive, Hingham, MA 02043

Obligors hereby ratify and confirm all of the terms and provisions of the Loan Agreement and the other Loan Documents, and agree that all of such terms and provisions, as amended hereby, remain in full force and effect.

Agent and Lenders hereby consent to the execution and delivery of that certain Amendment No. 5 to Second Amended and Restated Loan and Security Agreement dated as of the date hereof by and among Obligors, the lenders party thereto, and the Revolver Agent (the "Revolver Loan Agreement Amendment"), and the amendments to the Revolver Loan Agreement set forth therein. The consent of Agent and Lenders to the Revolver Loan Agreement Amendment shall also constitute requisite consent under Section 5.2(b) of the Intercreditor Agreement to the amendments to the Revolver Loan Agreement described in the Revolver Loan Agreement Amendment.

The agreements provided by this Letter shall become effective as of the date when, and only when, each of the following conditions precedent shall have been satisfied or waived in writing by Agent (such date being defined as the "Effective Date"): (a) Agent shall have received counterparts to this Letter, duly executed by Agent, Lenders, and Obligors; and (b) Agent shall have received a true and complete copy of a fully executed amendment to the Revolver Loan Agreement incorporating the amendments provided for herein.

The agreements provided by this Letter shall be limited precisely as written and, except as expressly set forth herein, neither the fact of Agent's and Lenders' agreement to enter into this Letter nor any other term or provision herein shall, or shall be deemed or construed to, (i) be a consent to any forbearance, waiver, amendment or modification of any term, provision or condition of the Loan Documents, (ii) affect, impair, operate as a waiver of, or prejudice any right, power or remedy which Agent and/or Lenders may now or hereafter have pursuant to the Loan Documents or any other document, agreement, security agreement or instrument executed in connection with or related to the Loan Documents, or at law or in equity or by statute including, without limitation, with regard to any existing or hereafter arising Event of Default, (iii) impose upon Agent or any Lender any obligation, express or implied, to consent to any amendment or further modification of the Loan Documents, or (iv) be a consent to any waiver of any existing Event of Default. Agent and Lenders hereby expressly reserve all rights, powers and remedies specifically given to it under the Loan Documents or now or hereafter existing at law, in equity or by statute.

Obligors hereby confirm that prior to executing this Letter, Obligors consulted with and had the benefit of advice of legal counsel of its/their own selection and has relied upon the advice of such counsel, and in no part upon the representations of the Agent, any Lender, or any counsel to the Agent or any Lender, concerning the legal effects of this Letter or any provision hereof.

This Letter may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Letter by telecopy or other electronic means shall be as effective as delivery of a manually executed counterpart of this Letter.

This Letter shall be deemed to be a Loan Document for all purposes.

Pathlight Capital LLC, 18 Shipyard Drive, Hingham, MA 02043



Please confirm your agreement to the foregoing matters by counter-signing a copy of this Letter in the space provided therefor below and thereafter returning a fully executed copy hereof to the undersigned at your earliest opportunity.

Yours etc.,

**PATHLIGHT CAPITAL LLC,**  
as Agent and Lender

By /s/ Kyle Shonak  
Name: Kyle Shonak  
Title: Managing Director

*[Signatures continue on the following page]*

Pathlight Capital LLC, 18 Shipyard Drive, Hingham, MA 02043

**CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [\*\*\*], HAS BEEN OMITTED PURSUANT TO REGULATION S-K, ITEM 601(b)(10) BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.**

**BORROWERS:**

**SUMMER INFANT, INC.**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**SUMMER INFANT (USA), INC.**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**GUARANTORS:**

**SUMMER INFANT CANADA, LIMITED**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

**SUMMER INFANT EUROPE LIMITED**

By: /s/ Paul Francese  
Name: Paul Francese  
Title: Chief Financial Officer

Pathlight Capital LLC, 18 Shipyard Drive, Hingham, MA 02043

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Stuart Noyes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Summer Infant, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2020

/s/ Stuart Noyes  
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Stuart Noyes  
Interim Chief Executive Officer

# **CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Paul Francese, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Summer Infant, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2020

\_\_\_\_\_  
 /s/ Paul Francese  
 Paul Francese  
 Chief Financial Officer

**SECTION 1350 CERTIFICATION**

In connection with the Quarterly Report on Form 10-Q of Summer Infant, Inc. (the “Company”) for the quarter ended March 28, 2020 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Stuart Noyes, Interim Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2020

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/s/ Stuart Noyes  
Stuart Noyes  
Interim Chief Executive Officer

**SECTION 1350 CERTIFICATION**

In connection with the Quarterly Report on Form 10-Q of Summer Infant, Inc. (the “Company”) for the quarter ended March 28, 2020 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Paul Francese, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2020

/s/ Paul Francese

Paul Francese  
*Chief Financial Officer*