

Summer Infant, Inc.
Form 10-K
February 22, 2017

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

Or

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

For the transition period from _____ to
Commission File No. 001-33346

SUMMER INFANT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

20-1994619
(I.R.S. Employer
Identification No.)

1275 Park East Drive, Woonsocket, Rhode Island
(Address of principal executive offices)

02895
(Zip Code)

(401) 671-6550
(Registrant's telephone number, including area code)

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

Title of each class

Name of exchange on which registered

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Common Stock, Par Value \$0.0001

Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input checked="" type="radio"/>
			(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates as of July 1, 2016, was \$17.7 million. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

The number of shares issued and outstanding of the registrant's common stock as of February 20, 2017 was 18,506,617 (excluding unvested restricted shares that have been issued to employees).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

When used in this report, the terms "Summer," the "Company," "we," "us," and "our" mean Summer Infant, Inc. and its subsidiaries. Note that all dollar amounts in Part I are in thousands of U.S. dollars unless otherwise noted.

Item 1. Business

Overview

We are a premier 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 leader in product innovation in the juvenile industry, providing mothers and caregivers a full range of high quality, high value products to care for babies and toddlers. We seek to improve the quality of life of both caregivers and babies through our product offerings, while at the same time maximizing shareholder value over the long term.

We operate in one principal industry segment across geographically diverse marketplaces, selling our products globally to large, national retailers as well as independent retailers, and on our partner's websites and our own summerinfant.com website. In North America, our customers include Babies R Us, Amazon.com, Wal-Mart, Target, Buy Buy Baby, Home Depot, and Lowe's. Our largest European-based customers are Argos, Amazon, Toys R Us, and Mothercare. 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.

We estimate the size of the juvenile products market to be \$25 billion worldwide, with consumers focusing on quality, safety, innovation, and style. We believe we are positioned to capitalize on positive market trends in the juvenile products industry, including a predicted increase in U.S. birth rates over the next several years.

Strategic Priorities

We are a leading global juvenile products company that provides a full range of innovative, high quality, high value products that meet the demands of parents. In 2016 our management team was strengthened by the appointment of Mark Messner as our Chief Executive Officer and Art Gehr as our Chief Product Officer, each of whom has over 20 years of experience in the juvenile product industry. As we enter 2017, we will continue to focus on our core products and brand building, our key customer relationships and creating a roadmap for sustainable growth in 2017 and beyond. Our management team will continue to execute on the key strategic priorities that we believe will support our future growth:

Continuously strive for differentiated innovation. We continuously seek to create differentiated, innovative solutions for consumers who demand high quality, long lasting, and safe products. We pride ourselves as leaders of innovation within the juvenile products industry that provide differentiated solutions from our competitors. We deliver innovation in various ways based upon the product category. We offer sleek and simple design innovation in potties, deliver innovative convenience features in strollers, implement new technology into our baby video monitors, and deliver innovative, safe-sleep solutions within our SwaddleMe® branded product line.

Increase awareness of our brands. In 2016, we relaunched all of our core brands and packaging in order to extend the relevance of our products with our customers and consumers. We are committed to investing in our core brands to increase brand awareness. In 2017, we are launching marketing campaigns that will reach across print, digital, and social media channels. We are working closely with our retail partners to increase brand presence within their stores and online. We are also participating and sponsoring over 50 consumer events across the country

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in an effort to continue to strengthen our brand and product recognition. We believe that aligning our core brands with our target market's values increases brand awareness and also drives brand affinity. Our goal is to become the #1 baby brand recommended by parents.

Continuously connect with consumers. We seek to connect with our consumers across multiple media channels. We offer three branded social channels (Summer Infant, SwaddleMe, and Born Free) across multiple social media platforms (Facebook, Twitter, Instagram, Pinterest, etc.). We use innovative ways to increase our reach within these platforms such as advertisements, campaigns, and sweepstakes. Our social channels have continued to grow significantly year over year and Summer Infant is among the largest followed within the industry. Additionally, in the second quarter of 2017 we expect to relaunch our website. We designed our new website to be a trusted resource of information for parents and a place where consumers can purchase their favorite products for every stage and age for their little one. We also use consumer research as an avenue to connect with consumers. Our consumer research is conducted in numerous ways including focus groups, in-home ethnography studies, on-line surveys, home-user testing, and product reviews. Insights from our research are studied and integrated with our new product development initiatives and our continuous effort for product improvements. Our consumer database is also growing which allows us to engage in direct marketing opportunities such as email newsletters and promotions.

Operational efficiencies. We continue to refine our operating model as we bring more focus to our strategic priorities. These initiatives include SKU rationalization, doing more direct import business as we emphasize core growth categories, and evaluating the level of drop ship partnerships going forward. We are also improving our analytic and forecasting capabilities, product development process, and management of working capital. We believe these initiatives will continue to streamline operations.

Maintain and grow our partnerships. We have strong partnerships with our suppliers in the US and Asia. We believe that our flexibility to develop products that are consumer preferred and cost-efficient is a competitive advantage in meeting our customer demands. We have long-standing relationships with our brick and mortar and our e-commerce retail customers in the U.S. We value these relationships and will continue to focus on strengthening them to increase our presence in stores and online. We will continue to further develop our relationships outside the U.S. to expand our business internationally. We have focused our efforts on growing our European, Canadian and Asian market presence by growing our customer base and establishing new distributor relationships. We see our international business as having significant potential for growth and expansion.

By focusing on these key strategic priorities, we expect to drive future sales growth, improve profitability and return on capital, and further develop and strengthen our relationships with our suppliers, our customers and the consumers who use our products.

Products

We currently market over 1,100 products in several product categories including monitoring, safety, nursery, baby gear, and feeding products. We market our core products, under our Summer Infant®, SwaddleMe®, and Born Free® brand names. No single product generated more than 10% of sales for the fiscal year ended December 31, 2016 ("fiscal 2016").

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Anchor products in our product categories include the following:

Monitoring	Safety	Nursery	Baby Gear	Feeding Products
Wi-Fi/Internet	Gates	Swaddle	Strollers	Bottles
Video	Bath	Travel Accessories	Bassinets	Drinking Cups
Audio	Potties	Safe Sleep	High Chairs	Bibs & Placemats
Prenatal	Boosters	Soothers	Playards	Electronics
	Positioners	Sleep Aides		Pacifiers

Monitoring

Our monitors were first introduced in 2001 and are distinguished by premium quality, ease of use, and innovative features. Currently, we offer audio, video and internet viewable monitors, and a new wearable audio monitor marketed under the Summer Infant® brand. Our monitors have led the way in innovation within the category and feature high quality components, intended to fulfill the desire for consumers to connect with baby at any time or place. In fiscal 2016, we launched our award winning Babble Band , the first ever wearable audio monitor and the Liv Cam , a portable battery operated baby monitor that streams live video directly to smart devices without wifi or cellular service. In fiscal 2017, we are launching a new line of baby video monitors that will introduce innovation in style and design while including quality improvements in picture quality, battery life, and range. We consider monitoring to be one of our core categories and expect to be positioned in the second half of 2017 to gain incremental shelf space with additional, new innovative monitors.

Safety

Our safety line encompasses gates, bedrails, baby proofing, potties, bath, positioners, and infant health. We are a North American market leader in the gate category, with a product range of over 30 gates. Our line of gates offer versatility that covers use in home, ease of installation, and aesthetically pleasing designs. In fiscal 2017, we will introduce a new line of gates that are on trend with home décor such as the new Rustic Home, Modern Home, and Classic Home designs. We are partnering with strategic design influencers to help bring a broader awareness to the designer segment of the category.

In fiscal 2015, we introduced the My Size Potty . This simply designed potty has become highly recognized and is a best seller for major retailers nationwide. In fiscal 2016, the My Size Potty was the most tagged product by consumers on social media within our portfolio of products.

We first entered the infant bathing category in 2002, and we have continued to create innovative and safe solutions for bathing. In fiscal 2017, we expect to launch our redesigned Lil' Luxuries Whirlpool and Spa platforms and Right Height Tub platform. The Right Height Tub, introduced in fiscal 2010, was the first infant bath tub that elevated baby for parent comfort and convenience. Our redesigned Right Height Tub will offer that same key benefit with a modern sleek design, larger newborn bath sling and integrated non-slip smart hump for a more relaxed bathing experience for both parent and baby.

Nursery

Our nursery line includes our core brand of SwaddleMe® wearable blankets as well as our expanded line of safe sleep products such as sleep aides and soothers. Acquired in 2008, SwaddleMe® continues to be a brand synonymous with infant safe sleep. In fiscal 2015, we refreshed this popular line which allowed us to expand our channels of trade as well as our selection of product in this growing category. In fiscal 2016, we introduced the By Your Side Sleeper which provided a safe co-sleeping solution for parents. In fiscal 2017, we expect to introduce the By Your Bed Sleeper, which

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is a raised bassinet with an incline option that fits snug alongside parents bed. Both sleepers promote room sharing which is now recommended by the American Academy of Pediatrics (AAP).

Baby Gear

Since the successful launch of our 3D lite Convenience Stroller in fiscal 2014, we have continued to expand our 3D line of lightweight, affordable, feature rich strollers. In fiscal 2015 we included the 3D-one and 3D flip and in fiscal 2016, we launched our first dual stroller, the 3Dtwo. In 2017, we expect to continue to deliver revolutionary convenience features with the introduction of the 3D tote and 3D trek. These fully featured strollers were developed based upon consumer demand for more storage, ability to hold diaper bags and adaptability for infant car seats. With a unique geometric design, these platforms include diaper bag clips for hanging a diaper bag on the handles without tipping. These strollers will also offer an extra large storage basket, pockets and loops for storing all your baby supplies. We will be launching a marketing campaign in early 2017 to showcase all platforms within the 3D line: 3D lite, 3D-one, 3D flip, 3D two, 3D tote, and 3D trek.

Our Pop 'n Play Portable Playard was introduced in fiscal 2014, driven from consumer insights on their "on-the-go" lifestyles. Compact, foldable, lightweight and portable, the Pop 'n Play Portable Playard has been well received. In fiscal 2015, we expanded the line to include a portable booster, high chair, and entertainer and launched a new sub-brand for the collection, POP (portable on-the-go products). In 2017, we expect the POP line of products to be carried by all our major retail partners.

Feeding Products

We acquired the Born Free® brand in 2011 to provide calm, safe feeding solutions. The premium Born Free® Bottle continues to be the core product in the feeding category that has evolved to include pacifiers, drinking cups, bibs, and electronics. In the first quarter of fiscal 2016, we launched a revolutionary new bottle, Breeze, which we believe features the only 2 piece design bottle in the marketplace today.

Product Development and Design

Innovation drives our product development, a critical element of our strategy. We strive to produce proprietary products that offer distinctive benefits, are visually appealing, and provide safe, thoughtful solutions to the consumer. Our retail customers are strategically motivated to buy innovative products to provide differentiation from their competitors.

We design the majority of our products at our Rhode Island headquarters, leveraging our internal product development teams. We also have development efforts in our China and United Kingdom offices. In addition to new product development, we continuously look for ways to improve upon existing products based on consumer insights, with a strong focus on the end-user experience and product safety.

We engage in market research and test marketing to evaluate consumer reactions to our products, both pre- and post-production. Our product development team and sales force are essential in researching consumer buying trends and analyzing information from retail stores, customer surveys, focus groups, on-line surveys, industry experts and vendor recommendations. We continually evaluate our products to determine whether they should be upgraded, modified, or replaced.

Suppliers and Manufacturing

The majority of our products are manufactured in Asia (primarily China). We also use several manufacturers in the United States for certain injection-molded products, including bath tubs, potty

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seats and booster seats, which together accounted for approximately 17% of our annual sales in fiscal 2016.

We are not dependent on any one supplier as we use many different manufacturers and own the tooling and molds used for our products. Our Hong Kong subsidiary provides us with an Asian sourcing presence and the ability to oversee quality, electronic engineering and other issues that may arise during production. Generally, we buy finished goods from manufacturers, and thus do not directly procure raw materials for product manufacturing. Historically, we have not experienced any significant disruption of supply as a result of raw material shortages or other manufacturing factors, but there is the possibility that shortages could occur in the future based on a variety of factors beyond our control.

Asian-made goods are shipped on the water to our warehouses, which typically takes four weeks. We also utilize a direct import program, to reduce costs and shipping time to certain customers. We maintain inventory in warehouses located in the United States, Canada, United Kingdom and Australia. Most of our customers pick up their goods at our warehouses. We also deliver shipments direct to customers for sales from our own website and our consumer replacements program as well as for other smaller retail partners that request such arrangements.

Sales and Marketing

Our products are largely marketed and sold through our own direct global sales force. Our e-commerce sales have continued to grow year over year, which is consistent with increased online shopping by consumers. We have also established a strong network of independent manufacturers' representatives and distributors to provide sales and customer service support for the remaining portion of North American and international sales.

Sales are recognized upon transfer of title to our customers and are made utilizing standard credit terms of 30 to 60 days. We generally accept returns only for defective merchandise.

Marketing, promotion and consumer engagement are key elements in the juvenile products industry. Historically, a significant percentage of our promotional spending has been structured in coordination with our large retail partners. In fiscal 2017, we expect to focus our marketing efforts on building brand awareness, promoting our best selling products and key product launches, engaging with consumers across multiple media channels, and supporting our retail partners to establish brand presence both in store and online. We will invest in our brands with advertising campaigns, consumer engagements programs, and we will launch our new consumer ecommerce website. Overall, we are strategically positioning ourselves for enhanced future growth via brand awareness and brand affinity.

Customer service is a critical component of our marketing strategy. We maintain an internal customer service department that responds to customer inquiries, investigates and resolves issues, and is available to assist customers and consumers during business hours.

Competition

The juvenile product industry has many participants, none of which has dominant market share, though certain companies may have disproportionate strength in specific product categories. We compete with a number of different companies in a variety of categories, although there is no single company that competes with us across all of our product categories. Our largest direct competitors are Motorola® (a licensed brand of Binatone Communications Group), Munchkin®, GB® (Goodbaby International Holdings, Ltd.), Graco® (a subsidiary of Newell Rubbermaid), Chicco®, Fisher-Price® (a subsidiary of Mattel, Inc.), and Aden & Anais®

The primary method of competition in the industry consists of brand positioning, product innovation, quality, price, and timely distribution. Our competitive strengths include our ability to

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develop innovative new products, speed to market, our relationships with major retailers, and the quality and pricing of our products.

Intellectual Property

We rely on a combination of patents, licenses and trade secrets to protect our intellectual property. Our current patents include various design features related to safety gates, bouncers, and bathers, with several other patents under review by the United States Patent and Trademark Office (USPTO). These patents expire at various times during the next 20 years. We also have license agreements in place related to the use of patented technology owned by third parties in certain of our products. In certain circumstances, we will partner with third parties to develop proprietary products.

Customers

Sales to the Company's top seven customers together comprised more than 75% of our sales in fiscal 2016 and 73% of our sales in fiscal 2015. Of these customers, four generated more than 10% of sales for fiscal 2016: Babies R Us/Toys R Us (20%), Amazon.com (20%), Walmart (15%), and Target (11%). In fiscal 2015, four customers generated more than 10% of sales: Babies R Us/Toys R Us (23%), Walmart (14%), Amazon.com (14%) and Target (12%).

We have no long-term contracts with these customers, and as a result, our success depends heavily on our customers' willingness to purchase and provide shelf space for our products.

Seasonality

We do not experience significant variations in seasonal demand for our products. However, we expect to generate higher than average volumes for the initial shipment of new products which typically includes enough inventory to fill each store plus additional amounts to be kept at the customer's distribution center. The timing of these initial shipments varies by customer depending on when they finalize store layouts for the upcoming year and whether there are any mid-year product introductions.

Geographic Regions

North America accounted for approximately 92% and 91% of our total net sales in fiscal 2016 and fiscal 2015, respectively. We maintain sales, marketing, and distribution offices in Canada and England, which services the United Kingdom and other parts of Europe. We also maintain a product development, engineering and quality assurance office in Hong Kong.

Regulatory Matters

Each of our products is designed to comply with all applicable mandatory, voluntary and industry safety, labeling, and marketing standards. In the United States, these safety standards are promulgated by federal, state and independent agencies such as the US Consumer Product Safety Commission, ASTM, the Juvenile Products Manufacturers Association, the Federal Communications Commission, the Food and Drug Administration, the Federal Trade Commission, and various states Attorney General and state regulatory agencies. All of our products are independently tested by third party laboratories accredited by the Consumer Product Safety Commission, to verify compliance to applicable safety standards. A similar approach is used to design and test products sold internationally.

Insurance

We carry product liability insurance that provides us with \$15 million coverage with a minimal deductible. We consult with our insurers to ascertain appropriate liability coverage for our product mix. We believe our current coverage is adequate for our existing business and will continue to evaluate our coverage in the future in line with our expanding sales and product breadth.

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Employees

As of December 31, 2016, we had 209 employees, 202 who were full time employees, and 108 of whom work in our headquarters.

Available Information

The Company is incorporated under the laws of the State of Delaware. Our principal executive offices are located at 1275 Park East Drive, Woonsocket, Rhode Island 02895, and our telephone number is (401) 671 6550.

We maintain our corporate website at www.summerinfant.com and we make available, free of charge, through this website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports that we file with, or furnish to, the Securities and Exchange Commission ("SEC"), as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC. You may also read and copy any material filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, and you may obtain information on the operation of the Public Reference Room by calling the SEC in the U.S. at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, www.sec.gov, that contains reports, proxy and information statements and other information that we file electronically with the SEC. Our website also includes corporate governance information, including our Code of Ethics and our Board committee charters. The information contained on our website does not constitute a part of this report.

Item 1A. Risk Factors

If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected and the trading price of our common stock could decline.

The concentration of our business with certain retail customers means that economic difficulties or changes in the purchasing policies of these customers could have a significant impact on our business and operating results.

In fiscal 2016, sales to Babies R Us/Toys R Us, Amazon.com, Wal-Mart and Target accounted for 66% of our total sales. We do not have long-term commitments or contracts with any of our retail customers, and retailers make purchases by delivering one-time purchase orders. As such, any customer could periodically renegotiate the terms of our business relationship at any time, which might include reducing overall purchases of our products, altering pricing, reducing the number and variety of our products carried and the shelf space allotted for our products, and reducing cooperative advertising or promotion support. Because of the current concentration of our business with these retail customers, a change in our relationship with any of these customers could adversely affect our results of operations and financial condition. Furthermore, the bankruptcy or other lack of success of one or more of our significant retail customers could negatively impact our revenues and profitability.

Liquidity problems or bankruptcy of our key retail customers could have a significant adverse effect on our business, financial condition, and results of operations.

The sales we make to customers are typically made on credit without collateral. There is a risk that key customers will not pay or that payment may be delayed, because of bankruptcy, contraction of credit availability to such customers, weak retail sales, or other factors beyond our control, which could increase our exposure to losses from bad debts. In addition, if key customers were to cease doing business as a result of bankruptcy, or significantly reduce the number of stores operated, it could have a significant adverse effect on our business, financial condition, and results of operations.

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Our ability to grow and compete will be harmed if we do not successfully satisfy consumer preferences, enhance existing products, develop and introduce new products, successfully market and achieve acceptance of those products.

Our business and operating results depend largely upon providing our customers products that appeal to the end user. Consumer preferences, particularly among parents whom are often the end purchasers of our products, are constantly changing. Our success largely depends on our ability to identify emerging trends in the infant and juvenile health, safety and wellness marketplace, and to design quality products that address consumer preferences and prove safe and cost effective. Our product offerings compete with those of many other larger companies. Many of these companies enjoy broader brand recognition and have significant distribution channel relationships in place, and as a result, our market position is always at risk.

Our ability to maintain and increase our current market share will depend upon our ability to anticipate changes in consumer preferences and satisfy these preferences, enhance existing products, develop and introduce new products, grow existing distribution channels and seek additional distribution channels for these products, successfully market the products and, ultimately, achieve consumer acceptance of these products. A failure to achieve market acceptance of our products would harm our ability to grow our business.

An inability to develop and introduce planned new products or product lines in a timely and cost-effective manner may damage our business.

In developing new products and product lines, we have anticipated dates for the associated product introductions. When we state that we will introduce, or anticipate introducing, a particular product or product line at a certain time in the future, those expectations are based on completing the associated development, implementation, marketing work, and manufacturing in accordance with our currently anticipated development schedule. The risk is also heightened by the sophistication of certain products we are designing, in terms of combining digital and analog technologies, utilizing digital media to a greater degree, and providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process, significant increases in the planned cost of development, changes in anticipated consumer demand for our products, and delays in the manufacturing process may cause the introduction date for products to be later than anticipated or, in some situations, may cause a product introduction to be discontinued. If we are unable to manufacture, source and ship new products in a timely manner and on a cost effective basis to meet constantly changing customer demand, it could have a adverse effect on our business and operating results.

If we do not maintain sufficient inventory levels or if we are unable to deliver our products to our customers in sufficient quantities, or on a timely basis, or if our inventory levels are too high, our operating results will be adversely affected.

Our business places stringent demands on our inventory forecasting and production planning processes. This inventory management approach may be particularly challenging when combined with "just-in-time" inventory management systems commonly used by retailers to minimize their inventory levels. If we fail to meet tight shipping schedules, we could damage our relationships with retailers, increase our shipping costs or cause sales opportunities to be delayed or lost. To deliver our merchandise on a timely basis, we need to maintain adequate inventory levels of the desired products. This approach requires us to begin to place orders for components for certain products up to a year in advance, and we procure a significant amount of product months in advance of certain time periods. At the time we place factory orders, we may not have firm orders from retailers or a complete understanding of what consumer demand for those products will be. If our inventory forecasting processes are not accurate, it may result in inventory levels in excess of the levels forecasted and we may not have sufficient space at our main distribution center to accommodate excess inventory. As a

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result, we could be required to record inventory write-downs for excess and obsolete inventory, and/or incur additional expense for storage of excess inventory, which would adversely affect our operating results. In addition, if our processes result in our inventory levels being too low to meet customer demand, we may lose sales, which would adversely affect our operating results.

We rely on external financing to help fund our operations. Covenants in our credit facility may affect our liquidity or limit our ability to complete acquisitions, incur debt, make investments, sell assets, merge or complete other significant transactions.

To meet our working capital needs, we rely on cash generated from operations and our credit facility for working capital. Our credit facility agreement includes certain covenants that place limitations on or restrict a number of our activities, including our ability to:

incur additional debt;

create liens on our assets or make guarantees;

make certain investments or loans;

pay dividends or make distributions;

dispose of or sell assets; or

enter into a merger or similar transaction.

These restrictive covenants may limit our ability to engage in acts that may be in our best long-term interests. Our performance and financial condition may not meet our original expectations at the time we entered into the credit facility, causing us to fail to meet such financial covenants. Non-compliance with the covenants in our credit facility could result in us being unable to utilize borrowings under our credit facility, a circumstance which potentially could occur when operating shortfalls would most require supplementary borrowings to enable us to continue to fund our operations. There is no guarantee that we would be able to refinance debt on favorable terms, or at all.

Deviations from expected results of operations and expected cash requirements could result in a failure to meet financial covenants under our credit facility, which would adversely affect our financial condition and results of operations.

We are subject to financial covenants under our credit facility agreement, including fixed charge coverage ratio and certain quarterly leverage. Any significant deviation in actual results from our expected results of operations, or in the timing of material expenditures from current estimates, any significant business or product acquisitions, or other significant unanticipated expenses could result in us not meeting these financial covenants. If we are unable to generate sufficient available cash flow to service our outstanding debt, then we would need to seek an amendment to our credit facility agreement or refinance such debt or face default. In such circumstances, our lenders could declare a default, which would have a material adverse effect on our financial condition and results of operations. If access to our credit facility is limited or terminated, our liquidity would be constrained, affecting our operations and growth prospects, and we would need to seek additional equity or debt financing. There is no assurance that such financing would be available on acceptable terms or at all. Furthermore, any equity financing may result in dilution to existing stockholders and any debt financing may include restrictive covenants that could impede our ability to effectively operate and grow our business in the future.

The intense competition in our markets could reduce our net sales and profitability.

We operate in a highly competitive market and compete with several large domestic and foreign companies and with other producers of infant and juvenile products. Many of our competitors have

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longer operating histories, greater brand recognition, and greater financial, technical, marketing and other resources than us. In addition, we may face competition from new participants in our markets because the infant and juvenile product industry has low barriers to entry. We experience price competition for our products and competition for shelf space at retailers, all of which may increase in the future. If we cannot compete successfully in the future, our net sales and profitability will likely decline.

Because we rely on foreign suppliers and we sell and expect to expand in foreign markets, we are subject to numerous risks associated with international business that could increase our costs or disrupt the supply of our products, resulting in a negative impact on our business and financial condition.

While the majority of our sales continue to be in North America, we operate facilities and sell products in countries outside the United States and expect to grow our international presence. Additionally, as we discuss below, we utilize third-party suppliers and manufacturers located in Asia to produce a majority of our products. These sales and manufacturing operations, including operations in emerging markets that we have entered, may enter, or may increase our presence in, are subject to the risks associated with international operations, including:

economic and political instability;

restrictive actions by foreign governments;

greater difficulty enforcing intellectual property rights and weaker laws protecting intellectual property rights;

trade restrictions;

work stoppages or other changes in labor conditions;

reduction in business activity in some parts of the world;

currency fluctuations and devaluations;

changes in import duties or import or export restrictions;

compliance with anti-bribery and anti-corruption regulations;

untimely shipping of product and unloading of product through West Coast ports, as well as untimely truck delivery to our warehouses;

complications in complying with the laws and policies of the United States affecting the importation of goods, including duties, quotas, and taxes;

limitations on repatriation of foreign earnings; and

complications in complying with foreign tax laws.

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Recent uncertainty with respect to potential changes to the U.S. tax, tariff, and import/export regulations may have a negative effect on our results of operations. In particular, proposals have been made to reform the tax code in ways that could increase the amount of tax paid on imported goods. In addition, the recent presidential and congressional elections have created significant uncertainty about the future relationship between the United States and China, including with respect to trade policies, treaties, government regulations, and tariffs, all of which could greatly increase the cost of Chinese imports. Due to our significant manufacturing presence in China, from which we import a majority of our products, the occurrence of such tax reforms or trade restrictions could significantly impact our business in an adverse manner.

As a result of our international operations, we are subject to the U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption and anti-bribery laws. Recent years have seen a substantial

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increase in the global enforcement of anti-corruption laws, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC resulting in record fines and penalties, increased enforcement activity by non-U.S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. Complying with these regulations imposes costs on us which can reduce our profitability and our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could further harm our business and financial condition.

Also, because we generate some of our revenue outside the United States but report our financial results in U.S. dollars, our financial results are impacted by fluctuations in foreign currency exchange rates. If the U.S. dollar is strong against foreign currencies, our translation of foreign currency denominated revenue or expense could result in lower U.S. dollar denominated net revenue and expense.

We rely on suppliers in Asia to manufacture the majority of our products, and any adverse change in our relationship with our suppliers could harm our business.

We rely on numerous third-party suppliers located in Asia for the manufacture of most of our products. While we believe that alternative suppliers could be located if required, our product sourcing could be affected if any of these suppliers do not continue to manufacture our products in required quantities or at all, or with the required levels of quality. We do not have any long-term supply contracts with our foreign suppliers; rather, we enter into purchase orders with these suppliers. In addition, difficulties encountered by these suppliers, such as fire, accident, natural disasters, outbreaks of contagious diseases, or political unrest, could halt or disrupt production at the affected locations, resulting in delay or cancellation of orders. Any of these events could result in delayed deliveries by us of our products, causing reduced sales and harm to our reputation and brand name.

Increases in the cost of materials or labor used to manufacture our products could decrease our profitability and therefore negatively impact our business and financial condition.

Because our products are manufactured by third-party suppliers, we do not directly purchase the materials used in the manufacture of our products. However, the prices paid by us to these suppliers could increase if raw materials, labor, or other costs increase. If we cannot pass these increases along to our customers, our profitability will be adversely affected.

Earthquakes or other catastrophic events out of our control may damage our primary distribution facility and harm our results of operations.

Our primary distribution facility is located in Riverside, California, near major earthquake faults. A catastrophic event, such as an earthquake, flood, fire, or other natural or manmade disaster, could impact operations at this facility and impair distribution of our products, damage inventory, interrupt critical functions, or otherwise affect our business negatively, harming our results of operations.

Intellectual property claims relating to our products could increase our costs and adversely affect our business.

We have, from time to time, received claims of alleged infringement of patents relating to certain of our products, and we may face similar claims in the future. These claims related to alleged patent infringement and were primarily the result of newly-issued patents that were not in force when we initially brought the subject products to market. The defense of intellectual property claims can be costly and time consuming, even in circumstances where the claim is without merit. We may be required to pay substantial damages or settlement costs in order to resolve these types of claims. In addition, these claims could materially harm our brand name, reputation and operations.

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As a manufacturer of consumer products, we are subject to various government regulations and may be subject to additional regulations in the future, violation of which could subject us to sanctions or otherwise harm our business. In addition, we could be the subject of future product liability suits, product recalls, and other claims relating to the use of our products, which could harm our business.

Because we produce infant and juvenile health, safety and wellness consumer products, we are subject to significant government regulation and face product liability risks relating to consumer use of our products. We must comply with a variety of state and federal product safety and product testing regulations. In particular, our products are subject to the Consumer Product Safety Act, the Federal Hazardous Substances Act ("FHSA") and the Consumer Product Safety Improvement Act ("CPSIA"), which empower the Consumer Product Safety Commission (the "CPSC"), to take action against hazards presented by consumer products. With expanded authority under the CPSIA, the CPSC has and continues to adopt new regulations for safety and products testing that apply to our products. These new regulations have or likely will significantly increase the regulatory requirements governing the manufacture and sale of children's products and increase the potential penalties for noncompliance with applicable regulations. The CPSC has the authority to exclude from the market and recall certain consumer products that are found to be potentially hazardous. Consumer product safety laws also exist in some states and cities within the United States and in Canada and Europe, as well as certain other countries. If we fail to comply with these laws and regulations, or if we face product liability claims, we may be subject to damage awards or settlement costs that exceed any available insurance coverage and we may incur significant costs in complying with recall requirements.

We maintain a quality control program to help ensure compliance with applicable product safety requirements. Nonetheless, we have experienced, and may in the future experience, issues in products that may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities. A product recall could have a material adverse effect on our results of operations and financial condition, depending on the product affected by the recall and the extent of the recall efforts required. A product recall could also negatively affect our reputation and the sales of other products. Furthermore, concerns about potential liability may lead us to recall voluntarily selected products. Complying with existing or any such additional regulations or requirements could impose increased costs on our business operations, decrease sales, increase legal fees and other costs, and put us at a competitive disadvantage compared to other manufacturers not affected by similar issues with products, any of which could have a significant adverse effect on our financial condition. Similarly, increased penalties for non-compliance could subject us to greater expense in the event any of our products were found to not comply with such regulations.

In addition to product liability risks relating to the use by consumers of our products, we also must comply with a variety of state and federal laws and regulations which prohibits unfair or deceptive trade practices, including dissemination of false or misleading advertising. While we take steps we believe are necessary to comply with these laws and regulations, there can be no assurance that we will always be in compliance. Compliance with these various laws and regulations could impose significant costs on our business if we fail to comply, and could result in monetary liabilities and other penalties and lead to significant negative media attention and consumer dissatisfaction, which could have a significant adverse effect on our business, financial condition and results of operations.

We are dependent on key personnel, and our ability to grow and compete in our industry will be harmed if we do not retain the continued services of our key personnel, or we fail to identify, hire, and retain additional qualified personnel.

Our success depends on the efforts of our senior management team and other key personnel. Although we believe that we have a strong management team, the loss of services of members of our senior management team, who have substantial experience in the infant and juvenile health, safety and

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wellness markets, could have an adverse effect on our business. In addition, if we expect to grow our operations, it will be necessary for us to attract and retain additional qualified personnel. The market for qualified and talented product development personnel in the consumer goods market, and specifically in the infant and juvenile health, safety and wellness products market, is intensely competitive. If we are unable to attract or retain qualified personnel as needed, the growth of our operations could be slowed or hampered.

We may have exposure to greater than anticipated tax liabilities, that, if not identified, could negatively affect our consolidated operating results and net worth.

Our provision for income taxes is subject to volatility and could be adversely affected by nondeductible equity-based compensation, earnings being lower than anticipated in jurisdictions where we have lower statutory rates and being higher than anticipated in jurisdictions where we have higher statutory rates, transfer pricing adjustments, not meeting the terms and conditions of tax holidays or incentives, changes in the valuation of our deferred tax assets and liabilities, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles or interpretations thereof, and taxes relating to deemed dividends resulting from foreign guarantees made by certain of our foreign subsidiaries. In addition, like other companies, we may be subject to examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. While we regularly assess the likelihood of adverse outcomes from such examinations and the adequacy of our provision for income taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority will not have an adverse effect on our results of operations.

A material impairment in the carrying value of other intangible assets could negatively affect our consolidated results of operations and net worth.

A portion of our assets are intangible, which are reviewed on an annual basis and whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of these assets exceeds the current fair value, the asset is considered impaired and is reduced to fair value, resulting in a non-cash charge to earnings during the period in which any impairment is determined. If we make changes in our business strategy, our future operating performance was to fall significantly below forecast levels or if external conditions adversely affect our business operations, we may be required to record an impairment charge for intangibles, which would lead to decreased assets and reduced net operating results and net worth. As discussed in Management's Discussion and Analysis of Financial Condition and Result of Operations below, we recorded an impairment charge for certain indefinite-lived intangible assets in the fourth quarter of 2016. We cannot accurately predict the amount and timing of any future impairment of assets.

We rely on information technology in our operations, and any material failure, inadequacy, interruption, or security failure of that technology could harm our ability to effectively operate our business.

We rely on information technology systems across our operations, including for management of our supply chain, sale and delivery of our products, and various other processes and transactions, including credit card processing for online sales. Our ability to effectively manage our business and coordinate the production, distribution, and sale of our products depends on the reliability and capacity of these systems and in some instances, third-party service providers. The failure of these systems to operate effectively due to service interruptions, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could cause delays in product sales and reduced efficiency of our operations, loss of proprietary data or customer information, and capital investments could be required to remediate the problem.

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Our stock price has been and may continue to be volatile.

The market price of our common stock has been, and is likely to continue to be, volatile. When we or our competitors announce new products, experience quarterly fluctuations in operating results, announce strategic relationships, acquisitions or dispositions, change earnings estimates, publish financial results or other material news, our stock price is often affected. The volatility of our stock price may be accentuated during periods of low volume trading, which may require a stockholder wishing to sell a large number of shares to do so in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

Anti-takeover provisions in our organizational documents and Delaware law may limit the ability of our stockholders to control our policies and effect a change of control of our Company and may prevent attempts by our stockholders to replace or remove our current management, which may not be in your best interests.

There are provisions in our certificate of incorporation and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests, and may prevent attempts by our stockholders to replace or remove our current management. These provisions in our certificate of incorporation include authorization for our Board of Directors to issue shares of preferred stock without stockholder approval and to establish the preferences and rights of any preferred stock issued, and to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or change in control. Our bylaws require advance written notice of stockholder proposals and director nominations.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which, in general, imposes restrictions upon acquirers of 15% or more of our stock. Finally, the Board of Directors may in the future adopt other protective measures, such as a stockholder rights plan, which could delay, deter or prevent a change of control.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are headquartered in a 62,500 square foot facility in Woonsocket, Rhode Island. We have a lease on this facility, which will expire in 2018, and includes an option to extend the lease for an additional three-year term. We also lease small offices in Arkansas, Canada, Israel, the United Kingdom and Hong Kong.

We maintain inventory at leased warehouses in California (approximately 460,000 square feet), Canada (approximately 61,000 square feet), Australia (third party warehouse) and the United Kingdom (approximately 25,000 square feet). These leases expire at various times through 2021.

Item 3. Legal Proceedings

The information set forth in Note 10, Commitments and Contingencies, under Part IV, Item 15 of this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

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Our common stock is traded on the Nasdaq Capital Market under the symbol "SUMR".

The high and low sales prices for our common stock as reported on the Nasdaq Capital Market for the periods indicated below were as follows:

	High	Low
Fiscal Year Ended January 2, 2016		
First Quarter	\$ 3.51	\$ 2.51
Second Quarter	\$ 3.24	\$ 2.00
Third Quarter	\$ 2.36	\$ 1.20
Fourth Quarter	\$ 2.25	\$ 1.56
Fiscal Year Ended December 31, 2016		
First Quarter	\$ 2.25	\$ 1.43
Second Quarter	\$ 1.95	\$ 1.22
Third Quarter	\$ 2.44	\$ 1.61
Fourth Quarter	\$ 2.32	\$ 1.65

Holder of Common Stock

As of February 20, 2017, there were 34 holders of record of our common stock. Because shares of our common stock are held by depositaries, brokers and other nominees, the number of beneficial holders of our shares is substantially larger than the number of record holders.

Dividend Policy

There have been no cash dividends declared on our common stock since our Company was formed. Dividends are declared at the sole discretion of our Board of Directors. Our intention is not to declare cash dividends and retain all cash for our operations and future acquisitions. In addition, under the terms of our current credit facilities, we are restricted in our ability to pay cash dividends to our stockholders.

Issuer Repurchases of Equity Securities

None.

Recent Sales of Unregistered Securities

Not applicable.

Item 6. Selected Consolidated Financial Data

Not required.

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

The following discussion is intended to assist in the assessment of significant changes and trends related to our results of operations and financial condition. The information contained in this section has been derived from our consolidated financial statements and should be read together with our consolidated financial statements and related notes included elsewhere in this report. Readers should

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also review and consider our disclosures under the heading "Special Note Regarding Forward-Looking Statements" describing various factors that could affect our business and the disclosures under the heading "Risk Factors" in this report.

Note that all dollar amounts in this Item 7 are in thousands of U.S. dollars, except share and per share data.

Overview

We are a premier 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 leader in product innovation in the juvenile industry, providing mothers and caregivers a full range of high quality, high value products to care for babies and toddlers. We seek to improve the quality of life of both caregivers and babies through our product offerings, while at the same time maximizing shareholder value over the long term.

We operate in one principal industry segment across geographically diverse marketplaces, selling our products globally to large, national retailers as well as independent retailers, and on our partner's websites and our own summerinfant.com website. In North America, our customers include Babies R Us, Amazon.com, Wal-Mart, Target, Buy Buy Baby, Home Depot, and Lowe's. Our largest European-based customers are Argos, Amazon, Toys R Us, and Mothercare. 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.

We estimate the size of the juvenile products market to be \$25 billion worldwide, with consumers focusing on quality, safety, innovation, and style. We believe we are positioned to capitalize on positive market trends in the juvenile products industry, including a predicted increase in U.S. birth rates over the next several years.

In fiscal 2016, we continued to focus on our core product offerings, phasing out less profitable categories, and improving our balance sheet and working capital positions. Sales for the year ended December 31, 2016 ("fiscal 2016") decreased 5.6% compared to the year ended January 2, 2016 ("fiscal 2015") due predominantly to the phasing out of less profitable categories, unfavorable foreign exchange rates and lower than expected sales of certain products. While gross profit declined 0.3% in fiscal 2016 as compared to fiscal 2015, our gross margin improved by 170 basis points.

General and administrative expenses decreased 10.5% in fiscal 2016 due to the full year impact of cost reduction actions implemented in the latter half of fiscal 2015 and a reduction in litigation costs. In December 2016 we settled the litigation (see Note 10 to the Consolidated Financial Statements) and therefore expect no material legal costs in 2017 related to the litigation.

As discussed further below, following our annual intangible asset impairment analysis, we determined that the estimated fair value of an indefinite lived asset was lower than its carrying value, and we recorded a non-cash impairment charge of \$2,993 in the fourth quarter of fiscal 2016. In addition, we deemed the remaining value of the indefinite lived asset to have a finite life subject to amortization over its remaining useful life of fifteen years. As a result, our earnings per share for fiscal 2016 were negatively impacted by \$0.12. However, the impairment charge had no impact on our day-to-day operations or liquidity and will not result in any future cash expenditures.

Primarily as a result of the impairment charge, the litigation costs, and lower than expected sales in fiscal 2016, we ended fiscal 2016 with a net loss of \$0.23 per share as compared to a net loss of \$0.47 per share in fiscal 2015.

In 2017, we expect to continue to focus on our core categories with innovative product offerings, strengthening margins and, if necessary, phasing out less profitable products. With the settlement of our litigation in December 2016, litigation costs are expected to be immaterial in 2017 with improved

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bottom line performance. As a result, we expect to continue to strengthen our balance sheet and our working capital results.

Summary of Critical Accounting Policies and Estimates

The following summary of our critical accounting policies is presented to assist in understanding our consolidated financial statements. The consolidated financial statements and notes are representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements. Additional information about our accounting policies and estimates may be found in Note 1 to our consolidated financial statements included in this report.

We make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. The accounting policies described below are those we consider critical in preparing our financial statements. Some of these policies include significant estimates made by management using information available at the time the estimates were made. However, these estimates could change materially if different information or assumptions were used.

Revenue Recognition

We record revenue when all of the following occur: persuasive evidence of an arrangement exists, product delivery has occurred, the sales price to the customer is fixed or determinable and collectability is reasonably assured. Sales are recorded net of provisions for returns and allowances, cash discounts and markdowns. We base our estimates for discounts, returns and allowances on negotiated customer terms, and historical experience. These estimates are subject to variability, as actual deductions taken by customers may be different from the estimates recorded. Customers do not have the right to return products unless the products are defective. We record a reduction of sales for estimated future defective product deductions based on contractual terms and historical experience.

Sales incentives or other consideration given by us to customers that are considered adjustments of the selling price of products, such as markdowns, are reflected as reductions of revenue. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular ad (co-op advertising), are reflected as selling and marketing expenses in our accompanying statement of operations.

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.

Allowance for Doubtful Accounts

The allowance for doubtful accounts represents adjustments to customer trade accounts receivable for amounts deemed uncollectible. The allowance for doubtful accounts reduces gross trade receivables to their estimated net realizable value. The allowance is based on our assessment of the business environment, customers' financial condition, historical trends, customer payment practices, receivable aging and customer disputes. We will continue to proactively review our credit risks and adjust customer terms to reflect the current environment.

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Inventory Valuation

Inventory is comprised of finished goods and is stated at the lower of cost, inclusive of freight and duty, or market (net realizable value) using the first-in, first-out (FIFO) method. Our warehousing costs are charged to expense as incurred. We regularly review slow-moving and excess inventory, and write-down inventories as appropriate. Management uses estimates to record write-downs based on its review of inventory by product category, including length of time on hand and estimates of future orders for each product. Changes in consumer preferences, as well as demand for products, customer buying patterns and inventory management could impact the inventory valuation.

Long-Lived Assets with Finite Lives

We review long-lived assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered to be impaired when its carrying amount exceeds both the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition and the assets' fair value. Long-lived assets include property and equipment and finite-lived intangible assets. The amount of impairment loss, if any, is charged by us to current operations.

Indefinite-Lived Intangible Assets

We account for indefinite-lived intangible assets in accordance with accounting guidance that requires indefinite-lived intangible assets be tested annually for impairment and more frequently if events or changes in circumstances indicate that the asset might be impaired. Our annual impairment testing is conducted in the fourth quarter of every year.

We test indefinite-lived intangible assets for impairment by comparing the asset's fair value to its carrying amount. If the fair value is less than the carrying amount, the excess of the carrying amount over fair value is recognized as an impairment charge and the adjusted carrying amount becomes the assets' new accounting basis.

Management also evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, it is amortized prospectively over its estimated remaining useful life.

Income Taxes

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred 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; it is more likely than not that such benefit will be realized.

We recognize interest and penalties, if any, related to uncertain tax positions in interest expense. Interest and penalties related to uncertain tax positions were accrued at December 31, 2016. All audit adjustments have been recorded without significant impact on our results of operations. On a global basis, the open tax years subject to examination by major taxing jurisdictions in which we operate is between two to six years.

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The following table presents selected condensed consolidated financial information for our Company for the fiscal years ended December 31, 2016 ("fiscal 2016") and January 2, 2016 ("fiscal 2015").

	Year ended December 31, 2016		Year Ended January 2, 2016	
Net sales	\$ 194,328	100.0%	\$ 205,804	100.0%
Cost of goods sold	132,577	68.2%	143,854	69.9%
Gross profit	61,751	31.8%	61,950	30.1%
General and administrative expenses	41,292	21.2%	46,132	22.4%
Selling expenses	15,269	7.9%	17,780	8.6%
Depreciation and amortization	5,011	2.6%	6,780	3.3%
Impairment of intangible assets	2,993	1.5%		0.0%
(Loss) from operations	(2,814)	(1.4)%	(8,742)	(4.2)%
Interest expense, net	2,682	1.4%	3,333	1.6%
(Benefit) for income taxes	(1,174)	0.6%	(3,424)	1.7%
Net loss	\$ (4,322)	(2.2)%	\$ (8,651)	(4.2)%

Fiscal 2016 Compared with Fiscal 2015

Net sales decreased 5.6% from \$205,804 for fiscal 2015 to \$194,328 for fiscal 2016. Fiscal 2015 included \$8,265 of sales related to our bank-approved inventory reduction plan and our furniture product line exit. Fiscal 2016 included \$2,054 of unfavorable foreign exchange on a constant currency basis primarily due to the decline in the value of the British pound. The year-over-year net sales decrease was also attributable to lower sales of BornFree® Breeze bottles and certain Summer® monitors partially offset by increased safety and gear product sales.

Cost of goods sold includes the 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 fiscal 2016 as compared to fiscal 2015.

Gross profit declined 0.3% from \$61,950 for fiscal 2015 to \$61,751 for fiscal 2016, however, gross margin increased from 30.1% for fiscal 2015 to 31.8% for fiscal 2016. Fiscal 2015 included \$1,937 in losses on the sale of inventory below cost relating to our bank-approved inventory reduction plan, \$949 of inventory charges taken as we completed our exit of the furniture category, and \$690 in temporary additional costs due to inventory mix changes in our west coast distribution center. Fiscal 2016 included \$933 of unfavorable foreign exchange on a constant currency basis primarily due to the decline in the value of the British pound, \$891 in cost overages relating to the introduction of our BornFree® Breeze bottle, and \$275 in temporary additional costs due to inventory mix changes in our west coast distribution center.

General and administrative expenses decreased 10.5% from \$46,132 for fiscal 2015 to \$41,292 for fiscal 2016 and as a percent of sales from 22.4% for fiscal 2015 to 21.2% for fiscal 2016. The decline in general and administrative expenses was attributable to cost reduction actions implemented in the latter half of fiscal 2015 combined with a reduction in litigation costs that declined to \$2,397 for fiscal 2016 as compared to \$6,645 for fiscal 2015. In December 2016, we settled the litigation and therefore do not expect to incur any material legal costs in 2017 related to the litigation.

Selling expenses decreased by 14.1% from \$17,780 for fiscal 2015 to \$15,269 for fiscal 2016 and as a percent of sales from 8.6% for fiscal 2015 to 7.9% for fiscal 2016. This decrease in selling expense

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was primarily attributable to lower sales volume as well as lower cooperative advertisement costs and lower freight out costs due to customer mix.

Depreciation and amortization decreased 26.1% from \$6,780 in fiscal 2015 to \$5,011 for fiscal 2016. Fiscal 2015 included \$1,532 of accelerated amortization due to the shortened estimated useful life on older technology as we move to our next generation of technology that is being developed in certain product lines. Fiscal 2016 included \$341 of accelerated depreciation due to the shortened estimated useful life on some next generation technology that was discontinued.

In the fourth quarter of 2016, we undertook our annual intangible asset impairment analysis and engaged a third party to assist management in valuing our indefinite lived intangible assets recorded on our balance sheet. Management determined that the estimated fair value of that indefinite lived asset was lower than its carrying value, and we recorded a non-cash impairment charge of \$2,993 in the fourth quarter of fiscal 2016. In addition, management deemed the remaining value of the indefinite lived asset to have a finite life subject to amortization over its remaining useful life estimated to be 15 years. While the charge affected our financial condition and results of operations for fiscal 2016, it had no impact on our day-to-day operations or liquidity and will not result in any future cash expenditures. No impairment existed for the fiscal year ended January 2, 2016.

Interest expense decreased 19.5% from \$3,333 in fiscal 2015 to \$2,682 for fiscal 2016. Interest expense for fiscal 2015 included a write off of \$685 for past unamortized financing fees and termination fees in connection with the refinancing of our credit facility in April 2015.

For fiscal 2016, we recorded a \$1,174 tax benefit on \$5,496 of pretax loss for the period. The 21.4% tax rate for fiscal 2016 included the effects of \$471 of non-deductible tooling depreciation, \$270 of expiring charitable donation carryforwards, and \$299 related to the impairment charge. For fiscal 2015, we recorded a \$3,424 tax benefit on \$12,075 of pretax loss for the period. The 28.4% tax rate for fiscal 2015 included the effect of \$150 of reinstated research and development tax credits, a \$327 charge for uncertain tax positions, and a \$342 valuation reserve established on foreign tax depreciation and related assets.

Liquidity and Capital Resources

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

Cash Flows

In our typical operational cash flow cycle, inventory is purchased to meet expected demand plus a safety stock. 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, Canada and the United Kingdom. Payment terms for these vendors are approximately 60-90 days from the date the product ships from Asia, therefore we are generally paying for the product a short time after it is physically received in the United States. In turn, sales to customers generally have payment terms of 30 to 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 facilities.

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

For fiscal 2016, net cash provided by operating activities was approximately \$8,788 and was generated primarily from improved operating performance as well as lower accounts receivable due to

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a combination of lower sales and improved collections. For fiscal 2015 net cash provided by operating activities totaled \$9,339 and was primarily attributable to improved inventory turns and more favorable payment terms from our suppliers.

For fiscal 2016, net cash used in investing activities was approximately \$2,266. For fiscal 2015, net cash used in investing activities was \$3,505. The use of cash in investing activities was primarily attributable to tooling and mold expenditures related to new product introductions.

For fiscal 2016, net cash used in financing activities was approximately \$6,548, reflecting repayments on our credit facility. For fiscal 2015, net cash used in financing activities was approximately \$5,116, reflecting repayments on our credit facility.

Based primarily on the above factors, net cash increased for fiscal 2016 by \$76, resulting in a cash balance of approximately \$999 at fiscal year end.

The following table summarizes our significant contractual commitments at fiscal 2016 year end:

Contractual Obligations	Total	Payment Due by Fiscal Period				2021 and beyond
		2017	2018	2019	2020	
Revolving Facility	\$ 36,182				\$ 36,182	
FILO Facility	3,750	\$ 2,500	\$ 1,250			
Term Loan Facility	7,000	2,000	2,000	\$ 2,000	1,000	
Estimated future interest payments on Revolving Facility	3,629	1,170	1,102	1,035	322	
Estimated future interest payments on FILO Facility	149	119	30			
Estimated future interest payments on Term Loan Facility	594	285	190	95	24	
Operating leases	10,631	2,415	2,215	2,140	2,185	\$ 1,676
Sale-leaseback lease	536	429	107			
Total contractual cash obligations	\$ 62,471	\$ 8,918	\$ 6,894	\$ 5,270	\$ 39,713	\$ 1,676

Estimated future interest payments on our Revolving Facility, FILO Facility, and Term Loan Facility are based upon the interest rates in effect at December 31, 2016.

Capital Resources

In addition to operating cash flow, we also rely on our existing asset-based revolving credit facility with Bank of America, N.A. to meet our financing requirements, which is subject to changes in our inventory and account receivable levels. We regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure. If market conditions are favorable, we may refinance our existing debt or issue debt or equity securities. Based on past performance and current expectations, we believe that our anticipated cash flow from operations and availability under our existing credit facility are sufficient to fund our working capital, capital expenditures and debt service requirements for at least the next 12 months.

However, if we are unable to meet our current financial forecast, do not adequately control expenses, and cannot raise additional funds or adjust our operations accordingly, we may not remain in compliance with the financial covenants required under our revolving credit facility. Unforeseen circumstances, such as softness in the retail industry or deterioration in the business of a significant customer, could create a situation where we cannot access all of our available lines of credit due to insufficient asset availability or an inability to meet the financial covenants as required under our credit facility. There is no assurance that we will meet all of our financial or other covenants in the future, or

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that our lenders will grant waivers if there are covenant violations. In addition, should we need to raise additional funds through debt or equity financings, any sale of debt or equity securities may cause dilution to existing stockholders. If sufficient funds are not available or are not available on acceptable terms, our ability to address any unexpected changes in our operations could be limited. Furthermore, there can be no assurance that we will be able to raise such funds if and when they are required. Failure to obtain future funding when needed or on acceptable terms could materially adversely affect our results of operations.

Credit Facilities

We and our wholly owned subsidiary, Summer Infant (USA), Inc., are parties to an amended and restated loan and security agreement with Bank of America, N.A., as agent, providing for an asset-based credit facility (as amended in December 2015 and May 2016, the "Credit Facility").

The Credit Facility consists of a \$60,000 asset-based revolving credit facility, with a \$10,000 letter of credit sub-line facility (the "Revolving Facility"), a \$5,000 "first in last out" (FILO) revolving credit facility (the "FILO Facility") and a \$10,000 term loan facility (the "Term Loan Facility"). Pursuant to an accordion feature, the Credit Facility includes the ability to increase the Revolving Facility by an additional \$15,000 upon the Company's request and the agreement of the lenders participating in the increase. The total borrowing capacity under the Revolving Facility is based on a borrowing base, generally defined as 85% of the value of eligible accounts 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 reserves. The total borrowing capacity under the FILO Facility is based on a borrowing base, generally defined as a specified percentage of the value of eligible accounts that steps down over time, plus a specified percentage of the value of eligible inventory that steps down over time. For additional information on the Credit Facility, please see Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2016, the rate for base-rate loans was 4.75% and rate for LIBOR-rate loans was 3.375%. The amount outstanding on the Revolving Facility at December 31, 2016 was \$36,182. Total borrowing capacity under the Revolving Facility at December 31, 2016 was \$47,196 and borrowing availability was \$11,014. The amounts outstanding on the Term Loan Facility and FILO Facility at December 31, 2016 were \$7,000 and \$3,750, respectively.

We were in compliance with the financial covenants under the Credit Facility as of December 31, 2016.

Subsequent to fiscal year end, on February 17, 2017, the Company amended the Credit Facility to provide additional flexibility under its covenant requirements to the Company during fiscal 2017. See Item 9B. Other Information below for additional information regarding the amendment.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during the year ended December 31, 2016 or the year ended January 2, 2016.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This guidance was originally proposed to be effective for reporting periods beginning after December 15, 2016, however in July 2015, the FASB approved the delay in this guidance until reporting periods beginning after December 15, 2017. We are still finalizing the analysis to quantify the adoption impact of the provisions of the new standard, but we do not currently expect it to have a material impact on our consolidated financial position or results of operations. Based on the evaluation of our current contracts and revenue streams, most will be recorded consistently under both the current and new standard. The FASB has issued, and may issue in the future, interpretive guidance which may cause our evaluation to change. We believe we are following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption effective the beginning of fiscal year 2018.

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In April 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. This guidance is effective for fiscal years beginning after December 15, 2015. The Company adopted this guidance in the first quarter of 2016 and it resulted in the retrospective reclassification of \$1,489 as of January 2, 2016 in unamortized debt issuance costs from other assets to a direct reduction of long-term debt.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." This guidance requires inventory within the scope of ASU 2015-11 to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance is effective for fiscal years beginning after December 15, 2016. The Company has evaluated the impact this guidance will have on its consolidated financial statements and expects the impact to be immaterial.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." This guidance eliminates the current requirement for an entity to separate deferred income tax liabilities and deferred tax assets into current and non-current amounts in a classified balance sheet. Instead, this guidance requires deferred tax liabilities, deferred tax assets, and valuation allowances be classified as noncurrent in a classified balance sheet. This ASU is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. The Company adopted this guidance in the first quarter of 2016 and it resulted in the retrospective reclassification of \$799 as of January 2, 2016 in current deferred tax assets to noncurrent deferred tax assets.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months and disclose key information about leasing arrangements. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the FASB Emerging Issues Task Force). In an effort to reduce diversity in practice, ASU 2016-15 provides solutions for eight specific statement of cash flow classification issues. The ASU is effective for public companies beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company has evaluated the impact this guidance will have on its consolidated financial statements and expects the impact to be immaterial.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Special Note Regarding Forward Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements concern management's current assumptions, estimates, beliefs, plans, strategies and expectations and anticipated events or trends and similar expressions concerning matters that are not historical facts. Such forward-looking information may be identified by terms such as "expect," "anticipate," "believe," "outlook," "may," "estimate," "should," "predict" and similar terms or variations thereof, and includes statements regarding the effectiveness of our strategy to promote future growth and profitability, the strength of our customer and supplier relationships, expected

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litigation costs in 2017, improved bottom line performance in 2017, our liquidity for the next 12 months, and expected trends and product offerings in 2017. These statements are based on a series of expectations, assumptions, estimates and projections about our Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. Our actual results may differ materially from any future results expressed or implied by such forward-looking statements. Such factors include, among others, the following:

the concentration of our business with a small number of retail customers;

liquidity problems or bankruptcy of any key retail customers;

our ability to compete by introducing new products or enhancing existing products that satisfy consumer preferences;

our ability to develop new products in a timely and cost-efficient manner;

our ability to manage inventory levels and meet customer demand;

our ability to comply with financial and other covenants in our credit facility;

our ability to effectively compete in the juvenile product market;

our reliance on foreign suppliers and potential disruption in foreign markets in which we operate;

exchange rate and foreign currency devaluations;

increases in the cost of raw materials used to manufacture our products;

earthquakes or other catastrophic events that may damage our properties or disrupt our operations;

our ability to protect our intellectual property;

compliance with safety and testing regulations for our products;

product liability claims arising from use of our products;

our dependence on key personnel;

unanticipated tax liabilities;

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an impairment of other intangible assets; and

any failure, inadequacy or interruption of our information technology systems that may disrupt our operations.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, please refer to the "Risk Factors" section of this report for additional information regarding factors that could affect our results of operations, financial condition and liquidity.

We intend our forward-looking statements to speak only as of the time of such statements and do not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results. We cannot give any assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this report or included in our other periodic reports filed with the SEC could materially and adversely impact our operations and our future financial results.

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Any public statements or disclosures by us following this report that modify or impact any of the forward-looking statements contained in or accompanying this report will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are attached to this Annual Report on Form 10-K beginning on Page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a)

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, 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 December 31, 2016. Our principal executive officer and principal financial officer have concluded, based on their evaluation, that our disclosure controls and procedures were effective as of December 31, 2016.

(b)

Management's Report on Internal Control over Financial Reporting

Management of our Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, 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. It includes those policies and procedures that:

- 1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and the board of directors of the company; and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on its financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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The Company's management has used the criteria established in the 2013 "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework") to evaluate the effectiveness of the Company's internal control over financial reporting.

Management of the Company conducted an evaluation of the effectiveness, as of December 31, 2016, of the Company's internal control over financial reporting and based on its evaluation under the COSO Framework, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

(c)

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On February 17, 2017, the Company and its subsidiaries, Summer Infant (USA), Inc., Summer Infant Canada, Limited and Summer Infant Europe Limited, entered into an amendment and waiver (the "Loan Amendment") to its Credit Facility with Bank of America, N.A., as agent, and the lenders under the Credit Facility. Pursuant to the Loan Amendment, the lenders agreed to waive the existing delivery date by which the Company must deliver projections for the 2017 fiscal year, and extended the date to March 1, 2017. In addition, the Loan Amendment amended certain provisions of the Credit Facility to provide additional flexibility to the Company during fiscal 2017, including:

amending the definitions of "Availability," "Availability Reserve" and "Eligible Account";

amending the definition of EBITDA with respect to bonus payments and certain fees and expenses that can be added back to the calculation of EBITDA; and

amending the definition of "Fixed Charges" and revised the maximum leverage ratio financial covenant to be maintained as of the end of each fiscal quarter.

The foregoing summary of the Loan Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Loan Amendment, a copy of which is filed herewith as Exhibit 10.14 and is incorporated herein by reference.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information relating to directors and director nominees of the Company is set forth in our definitive Proxy Statement to be filed with the SEC in connection with our 2017 Annual Meeting of Stockholders (the "2017 Proxy Statement") and is incorporated herein by reference.

The information relating to the Company's executive officers and Section 16(a) beneficial ownership reporting compliance is set forth in the 2017 Proxy Statement and is incorporated herein by reference.

We have adopted a Code of Ethics that applies to all of our directors, officers and employees. The Code of Ethics is publicly available in the Investor Relations section of our website at www.summerinfant.com. Amendments to the Code of Ethics and any grant of a waiver from a provision of the Code of Ethics requiring disclosure under applicable SEC and Nasdaq rules will be disclosed on our website.

The information relating to the Company's Audit Committee and its designated audit committee financial expert is set forth in the 2017 Proxy Statement and is incorporated herein by reference.

The information concerning procedures by which stockholders may recommend director nominees is set forth in the 2017 Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

The information relating to executive compensation is set forth in the 2017 Proxy Statement and is incorporated herein by reference, provided that the information under the caption "Compensation Committee Report" shall be deemed "furnished" and shall not be deemed "filed" with this report, not deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, except only as may be expressly set forth in any such filing by specific reference.

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

The information relating to security ownership of management, certain beneficial owners, and the Company's equity plans is set forth in the 2017 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information relating to certain relationships and related party transactions and director independence is set forth in the 2017 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information relating to the independent registered public accounting firm fees and services and the Company's pre-approval policies and procedures for audit and non-audit services provided by such accounting firm is set forth in the 2017 Proxy Statement and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a)
 (1) Financial Statements

The list of consolidated financial statements and notes required by this Item 15 (a)(1) is set forth in the "Index to Financial Statements" on page F-1 of this Annual Report.

- (2)
 Financial Statement Schedules

All schedules have been omitted because the required information is included in the financial statements or notes thereto.

- (b)
 Exhibits

The exhibits listed in the "Index to Exhibits" immediately preceding the exhibits are filed as part of this Annual Report.

Stephen Zelkowitz

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**Summer Infant, Inc. and Subsidiaries
Index to Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets</u>	<u>F-3</u>
<u>Consolidated Statements of Operations</u>	<u>F-4</u>
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Summer Infant, Inc.

We have audited the accompanying consolidated balance sheets of Summer Infant, Inc. and Subsidiaries as of December 31, 2016 and January 2, 2016, and the related consolidated statements of operations, comprehensive loss, cash flows, and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summer Infant, Inc. and Subsidiaries as of December 31, 2016 and January 2, 2016, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ RSM US LLP

RSM US LLP
Boston, Massachusetts
February 22, 2017

Table of Contents**Summer Infant, Inc. and Subsidiaries****Consolidated Balance Sheets**

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

	December 31, 2016	January 2, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 999	\$ 923
Trade receivables, net of allowance for doubtful accounts of \$59 and \$142 at December 31, 2016 and January 2, 2016, respectively	34,137	40,514
Inventory, net	36,140	36,846
Prepays and other current assets	1,737	1,758
TOTAL CURRENT ASSETS	73,013	80,041
Property and equipment, net	9,965	12,007
Intangible assets, net	14,813	18,512
Deferred tax assets, noncurrent	3,848	2,483
Other assets	98	95
TOTAL ASSETS	\$ 101,737	\$ 113,138
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 30,684	\$ 29,541
Accrued expenses	7,757	9,584
Current portion of long-term debt and capital leases	4,500	3,318
TOTAL CURRENT LIABILITIES	42,941	42,443
Long-term debt, less current portion and unamortized debt issuance costs	41,206	48,767
Other liabilities	2,770	2,962
TOTAL LIABILITIES	86,917	94,172
STOCKHOLDERS' EQUITY		
Preferred Stock, \$0.0001 par value, 1,000,000 authorized, none issued or outstanding at December 31, 2016 and January 2, 2016		
Common Stock \$0.0001 par value, authorized, issued and outstanding of 49,000,000, 18,778,266, and 18,506,617 at December 31, 2016 and 49,000,000, 18,639,407 and 18,367,758 at January 2, 2016, respectively	2	2
Treasury Stock at cost (271,649 shares at December 31, 2016 and January 2, 2016)	(1,283)	(1,283)
Additional paid-in capital	76,348	75,812
Accumulated deficit	(57,385)	(53,063)
Accumulated other comprehensive loss	(2,862)	(2,502)
TOTAL STOCKHOLDERS' EQUITY	14,820	18,966
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 101,737	\$ 113,138

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See notes to consolidated financial statements.

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Table of Contents**Summer Infant, Inc. and Subsidiaries****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.

	For the fiscal year ended	
	December 31,	January 2,
	2016	2016
Net sales	\$ 194,328	\$ 205,804
Cost of goods sold	132,577	143,854
Gross profit	61,751	61,950
General and administrative expenses	41,292	46,132
Selling expenses	15,269	17,780
Depreciation and amortization	5,011	6,780
Impairment of intangible assets	2,993	
Operating loss	(2,814)	(8,742)
Interest expense, net	2,682	3,333
Loss before provision for income taxes	(5,496)	(12,075)
Benefit for income taxes	(1,174)	(3,424)
NET LOSS	\$ (4,322)	\$ (8,651)
Net loss per share BASIC and DILUTED	\$ (0.23)	\$ (0.47)
Weighted average shares outstanding BASIC and DILUTED	18,440,436	18,267,596

See notes to consolidated financial statements.

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

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

	For the fiscal year ended	
	December 31, 2016	January 2, 2016
Net loss	\$ (4,322)	\$ (8,651)
Other comprehensive loss:		
Foreign currency translation adjustments	(360)	(1,092)
Comprehensive loss	\$ (4,682)	\$ (9,743)

See notes to consolidated financial statements.

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

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

	For the fiscal year ended	
	December 31,	January 2,
	2016	2016
Cash flows from operating activities:		
Net loss	\$ (4,322)	\$ (8,651)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment of intangible assets	2,993	
Depreciation and amortization	5,011	6,780
Stock-based compensation	482	865
Loss on asset disposal	37	42
Deferred income taxes	(1,384)	(3,685)
Changes in assets and liabilities, net of effects of acquisitions		
Decrease (increase) in accounts receivable	6,151	(1,715)
Decrease in inventory	344	7,170
(Increase) decrease in prepaids and other current assets	(44)	250
Decrease (increase) in other assets	164	(342)
(Decrease) increase in accounts payable and accrued expenses	(644)	8,625
Net cash provided by operating activities	8,788	9,339
Cash flows from investing activities:		
Acquisitions of property and equipment	(2,266)	(3,033)
Acquisitions of other intangible assets		(472)