STEIN MART INC
Form 10-K
March 28, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended February 2, 2019

Commission file number 0-20052

STEIN MART, INC.

(Name of issuer in its charter)

Florida **(State or other jurisdiction of** **incorporation or organization)**	**64-0466198** **(I.R.S. Employer** **Identification No.)**

1200 Riverplace Blvd.

Jacksonville, Florida **32207**
(Address of principal executive offices) **(Zip Code)**
(904) 346-1500

(Issuer s telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	**The NASDAQ Global Select 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 issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller Reporting Company

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

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of August 4, 2018, was $70,509,246. For purposes of this response, executive officers and directors are deemed to be affiliates of the registrant and the holdings by non-affiliates were computed as 31,477,342 shares. On March 25, 2019, the Registrant had issued and outstanding an aggregate of 47,836,904 shares of its common stock.

Documents Incorporated by Reference

Portions of the Registrant s Proxy Statement for its 2019 Annual Meeting of Shareholders are incorporated by reference in Part III.

Table of Contents

STEIN MART, INC.

TABLE OF CONTENTS

This Annual Report on Form 10-K contains forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks, uncertainties or assumptions and may be affected by certain factors, including but not limited to the specific factors discussed in Part I, Item 1A under Risk Factors and Item 3 under Legal Proceedings, in Part II, Item 5 under Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, and Part II, Item 7 under Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 under Financial Statements and Supplementary Data. Wherever used, the words plan, expect anticipate, believe, estimate and similar expressions identify forward-looking statements. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on beliefs and assumptions of our management and on information currently available to such management concerning future developments and their potential effects upon Stein Mart, Inc. and our subsidiaries. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise our forward-looking statements considering new information, future events or otherwise. Undue reliance should not be placed on such forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance.

Table of Contents

PART I

ITEM 1. BUSINESS

OVERVIEW

Headquartered in Jacksonville, Florida, Stein Mart, Inc. is a national specialty off-price retailer offering designer and name-brand fashion apparel, home décor, accessories and shoes at everyday discount prices. Stein Mart provides real value that customers love every day both in stores and online. For more information, please visit www.steinmart.com. Begun in the early 1900s as a single store in Greenville, Mississippi, Stein Mart, Inc. was organized in Mississippi in 1968 before merging into a Florida corporation in 1992. Stein Mart, Inc. operated 287 stores in 30 states and an Ecommerce retail selling site as of February 2, 2019.

As used herein, the terms we, our, us and Stein Mart refer to Stein Mart, Inc., a Florida corporation, and wholly-owned subsidiaries.

KEY STRATEGIC OBJECTIVES

Our mission is to provide current season, first-quality fashion apparel, shoes, accessories and home décor merchandise at prices comparable to off-price retail chains in a convenient, attractive and easy-to-shop location. We believe our success and future growth will depend on the consistent execution of the following:

- Having a desirable, current season assortment of designer, brand name, exclusive and proprietary fashion apparel, accessories and home décor merchandise,
- Sourcing a wide range of key brands and maintaining strong partnerships with the vendors representing those brands,
- Offering every day low prices on fashion merchandise through buying methodologies and low-cost operations,
- Attracting repeat and new customers through marketing and advertising programs,
- Having an attractive store appearance, appealing merchandise presentation and on-demand customer service, like a department or specialty store,
- Maintaining current locations in regional, community and neighborhood shopping centers serving a more affluent customer, and
- Building and growing our Ecommerce business.

TARGET CUSTOMER

Our target customer is a woman who is both style conscious and value seeking. She is typically married and college educated. She may be multi-cultural, works at least part-time in a professional position and has above-average household income.

MERCHANDISING, PURCHASING AND PRICING

Our fashion assortment is driven primarily by seasonal fashion trends and a focus on name brand and designer merchandise complemented by a select program of private label and proprietary/exclusive merchandise. During 2018, approximately seven percent of our sales were from private label or proprietary/exclusive merchandise.

Our merchants purchase products from approximately 1,000 vendors. One of our vendors accounted for approximately eight percent of our total purchases during 2018. We buy a majority of our merchandise at the same time and from many of the same manufacturers as traditional department/specialty stores, however we generally do not require the same level of front and back-end vendor concessions, such as advertising allowances, return privileges and markdown allowances, which are common and significant in the department store industry. As a result, we believe that our buyers can negotiate more favorable upfront pricing terms from our vendors. We also purchase merchandise opportunistically when we believe a combination of the product and the price makes it a compelling addition to our assortment. In both instances, we pass our savings on to our customers through everyday low pricing targeted to be competitive with off-price retail chains.

Our shoe department and vintage luxury handbag inventory is exclusively supplied and owned by DSW, Inc. (DSW) and LXRandCo, Inc. (LXR), respectively. DSW s and LXR s buyers determine each season s fashion footwear and handbag

2

assortment, respectively. Our commissions from the sales of these licensed departments are included in net sales on our Consolidated Statements of Operations.

The following table sets forth the percentage of our sales by major merchandise category, including shoe department sales, for the fiscal years indicated:

	2018	2017
Women s apparel	48%	45%
Accessories	9%	10%
Men s	19%	20%
Home	10%	12%
Shoes	9%	8%
Other	5%	5%
	100%	100%

LOCATIONS AND STORE APPEARANCE

On February 2, 2019, we operated 287 stores in 30 states and an Ecommerce retail selling site. Our stores are located in the Northeast, Midwest, Southeast, Texas and the Southwest. We are most fully concentrated in the Southeast and Texas where 185 of our stores are located. Most locations are in neighborhoods, community and regional shopping centers frequented by a more affluent customer. Our optimal co-tenants within these shopping centers cater to a similar target customer and include highly-frequented retail formats such as other apparel retailers, higher-end grocers and restaurants. All Stein Mart locations, including the corporate headquarters and distribution centers, are leased.

We selectively seek additional store locations that strengthen our portfolio in current as well as new markets. We utilize regional tenant representative brokers to help us identify potential sites for new or relocated stores. New and relocated store decisions are supported by independent sales forecasts, and are approved by a real estate committee made up of senior-level executives. We are not planning to open any new stores in fiscal 2019.

Our typical store is approximately 34,000 gross square feet. They have a racetrack design, conveniently centralized check-out and individual dressing rooms. We display merchandise in lifestyle groupings of apparel and accessories, which we believe enables our customers to locate desired merchandise in a manner that encourages multiple purchases. We seek to create excitement in our stores through the continual flow of fashion merchandise, targeted sales promotions, store layout, merchandise presentation and the quality, value and depth of our merchandise assortment.

ECOMMERCE

We sell merchandise offerings on our website at www.steinmart.com. The website allows customers to make online purchases of many of the same products offered in our stores along with some exclusive online products. The website also provides information for customers regarding store locations, brands, products and selected sales promotion activity. Visitors to our website may apply for our credit card, sign up to be Preferred Customers, sign up for email notifications and purchase gift cards. Ecommerce sales amounted to approximately 5.3 percent and 2.9 percent of our total sales in 2018 and 2017, respectively. Our Ecommerce software and warehouse distribution are managed by two third-party providers and, in some cases, our vendors ship directly to customers on our behalf.

CUSTOMER SERVICE

Our stores offer many services typically found in better department or specialty stores, such as merchandise locator services, a Preferred Customer Program, co-branded and private label credit card programs and electronic gift cards. Each store is staffed with a number of sales associates to provide on-demand customer service.

MARKETING

Our marketing efforts are focused on driving brand awareness, communicating our value proposition and driving traffic for periodic short-duration events. We target existing customers as well as new customers with these efforts. We engage in periodic market research, including customer surveys, to identify how best to reach each of these audiences and, in consultation with our outside advertising, media planning and direct-marketing agencies, we adjust our marketing focus accordingly.

Our advertising communicates brand-name fashion at a value price. We use television, direct mail, email and some newspaper inserts to communicate our short-duration sale events. To reach a broader audience, we use television, digital video and radio advertising. We utilize digital media, primarily paid search, paid social, affiliate marketing and display advertising to increase brand awareness and drive traffic to our Ecommerce site. We also use social networking sites, including Facebook, Instagram, Twitter and various blogs.

Our Preferred Customer Program is an important marketing tool. Preferred Customers receive direct mail promoting key events, members-only shopping days, birthday discounts and special email announcements. This program provides useful database information regarding customer preferences, habits and advertising receptivity. All Stein Mart Credit Card holders are members of our Preferred Customer Program.

STEIN MART CREDIT CARDS

Stein Mart has both co-branded MasterCard and Private Label Credit Cards (together Stein Mart Credit Cards) available for our customers based on credit approvals. These cards are issued by our business partner, Synchrony Financial (Synchrony), who bears all credit risk associated with the cards. Synchrony provides us certain direct financial benefits based on sales on the cards and other factors.

As mentioned above, Stein Mart Credit Card holders receive notice of sales events and special promotional offers including Extra Savings Events which occur periodically throughout the year and provide incremental savings on purchases made with the Stein Mart Credit Card during these events. Stein Mart Credit Card holders also participate in the credit card rewards program, which provides for an incentive in the form of reward certificates based on their cumulative points earned for purchases made on the Stein Mart Credit Cards.

Our Stein Mart Credit Card programs are designed to increase customer loyalty and sales as studies have shown that store-branded card holders spend 35 percent more than non-card holders. We believe our Stein Mart Credit Card penetration will continue to grow, which gives us improved economics.

COMPETITION

We operate in an intensely competitive retail industry. Our primary competitors for both our stores and Ecommerce are department and specialty stores, as well as conventional off-price retail chains. From our customer s perspective, we believe that we differentiate ourselves from department and specialty stores with our (i) lower initial pricing, (ii) convenient locations in shopping centers and (iii) assortments that are more selective than department stores and more varied than specialty stores. We also believe that we differentiate ourselves from typical off-price retail chains by offering (i) primarily current season first-quality merchandise carried by better department or specialty stores, (ii) a stronger merchandising statement, consistently offering more depth of color and size in individual stock-keeping units, (iii) merchandise presentation and customer service more comparable to upscale retailers and (iv) competitive price levels.

DISTRIBUTION

Our logistics network consists of consolidation centers (CCs) located in the Atlanta, Los Angeles and New Jersey areas, and store distribution centers (SDCs) located in the Atlanta, Dallas and Los Angeles areas. Approximately 55 percent of the vendor shipments are aggregated at the CCs and then shipped to the SDCs with the remaining 45 percent moving directly from vendors to SDCs. The SDCs receive, check and prepare the merchandise to ensure it is floor ready for our stores. The SDCs are automated and virtually all of our vendors are electronic data interchange (EDI) capable so we are able to cross-dock a high percentage of our receipts. Store deliveries are made by contract carriers once or twice a week, depending on location, store volume and the time of year. The New Jersey CC is the only facility managed by a third-party logistics provider.

EMPLOYEES

As of February 2, 2019, our workforce consisted of approximately 9,500 employees (equivalent to 5,050 40-hour employees). Each of our stores employs an average of 31 persons. The number of employees fluctuates during the year based on the selling season. We have no employees subject to collective bargaining agreements. We believe that our relations with our employees are generally good.

SEASONALITY

Our business is seasonal in nature. Sales and profitability are historically higher in the first and fourth quarters of the fiscal year, which include the spring and holiday seasons.

TRADEMARKS

We own the federally registered trademark Stein Mart®, together with a number of other marks used in conjunction with our private label merchandise program. We believe that our trademarks are important, but, with the exception of Stein Mart®, not critical to our merchandising strategy.

Table of Contents

AVAILABLE INFORMATION

The United States Securities Commission (the Commission) maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission at http://www.sec.gov. Copies of our Annual Reports on Form 10-K, Proxy Statements, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those filings are available, free of charge, on our investor relations website at http://ir.steinmart.com (click on SEC Filings). Also available free of charge on the investor relations website are the Charters for the Audit Committee, Compensation Committee and Corporate Governance Committee, as well as the Code of Conduct, Corporate Governance Guidelines, Bylaws and the Conflict Minerals Policy (click on Charters & Documents). Paper copies of these items are available free of charge upon written request to Stein Mart, Inc., 1200 Riverplace Boulevard, Jacksonville, FL 32207, Attention: Investor Relations.

ITEM 1A. RISK FACTORS

Our results of operations and financial condition can be adversely affected by numerous risks and uncertainties. In evaluating us, the risks and uncertainties described below and the matters described in Forward-Looking Statements should be considered carefully. Should any of these risks actually materialize, our business, financial condition and future prospects could be adversely affected.

Our sales and operating results are affected by consumer sensitivity to economic conditions and world events

The retail apparel business is dependent upon consumer spending and, as a fashion retailer, we rely on the expenditure of discretionary income for most, if not all, of our sales. Economic factors affecting consumer confidence and levels of consumer spending include levels of employment, the housing market, the stock market, prevailing interest rates, tax policies, personal bankruptcies, energy costs and availability and cost of credit. Consumer confidence is also affected by both domestic and international events. Deterioration in the level of consumer spending could have a material adverse effect on our profitability and results of operations.

We face intense competition in the retail industry

We face intense competition for customers from department stores, specialty stores, regional and national off-price retail chains and internet and mail-order retailers. Many of these competitors are larger and have significantly greater financial and marketing resources than we do. In addition, many department stores and other competitors have become more promotional and have reduced their price points. Certain department stores and certain of our vendors have opened outlet stores which offer merchandise at prices that are competitive with ours. Many of our competitors have significant Ecommerce sales. While we maintain an internet site, our Ecommerce sales comprised approximately 5.3 percent of our total sales in 2018. If we fail to successfully compete, our profitability and results of operations could be adversely affected.

Unanticipated changes in fashion trends and changing consumer preferences may adversely affect our sales

Our success depends in part upon our ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. Although we attempt to stay abreast of the fashion tastes of our customers and provide merchandise that satisfies customer demand, fashion trends can change rapidly and we may not accurately anticipate shifts in fashion trends and adjust our merchandise mix to appeal to changing consumer tastes in a timely manner. If we misjudge the market for our products or are unsuccessful in responding to changes in fashion trends or in market demand, we could experience insufficient inventory levels and missed opportunities, or excess inventory levels and higher markdowns, either of which could have a material adverse effect on our financial condition and results of operations. We may also lose customers and market share to those of our competitors who are able to better anticipate, identify and respond to such fashion trends and market demands. Because our success depends on our brand image, our business could be materially adversely affected if new product offerings are not accepted by our customers to the same extent as past product offerings.

Our ability to sustain profitable growth is subject to our successfully implementing strategic plans

The success of our strategic plans is dependent on the skills, experience and efforts of our management and other associates and our success with third parties. The loss of key management personnel could also negatively effect the execution of our business strategy. Additional changes may be required if we are unable to successfully implement our plans or if we adopt new strategies for the future. There is no assurance that we will be able to successfully implement these strategic initiatives or that the implementation of changes will result in the benefits or costs savings at the levels that we anticipate or at all, which may result in an adverse effect on our profitability and results of operations.

Our advertising, marketing and promotional strategies may be ineffective

Our profitability and results of operations may be materially affected by the effectiveness and efficiency of our marketing expenditures and our ability to select the right markets and media in which to advertise. In particular, we may not be successful in our efforts to create greater awareness of our stores and promotions, identify the most effective and efficient level of spending in each market and specific media vehicle or determine the appropriate creative message and media mix for our advertising, marketing and promotional expenditures. Our planned marketing expenditures may not result in increased revenues.

Table of Contents

We may be unable to raise additional capital, if needed, or to raise capital on favorable terms

If our existing cash, cash generated from operations, proceeds from our term loan and funds available under our revolving credit agreement were insufficient to fund our future operations, including capital expenditures, or repay debt when it becomes due, we may need to raise additional funds through public or private equity or debt financing. If unfavorable capital or credit market conditions exist if and when we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms or on a timely basis, if at all. Failure to obtain capital on acceptable terms when required could have a material adverse effect on our business including an inability to fund new growth and other capital expenditures.

We may be unable to negotiate acceptable lease terms with current and potential landlords

Our growth and success depend in part on our ability to renew and enter into new leases for successful stores. There is no assurance that we will be able to re-negotiate leases at similar or satisfactory terms at the end of the lease, and we could be forced to move or exit trade areas if another favorable arrangement cannot be made. There is also no assurance that we will be able to negotiate satisfactory terms on new or replacement stores, which could have an adverse effect on our profitability and results of operations.

Underperforming stores can result in charges and expenses

If individual stores underperform to the point that their future estimated cash flows will not cover our un-depreciated fixed asset investment, we take an impairment charge. We also close certain underperforming stores, generally based on the lack of store profitability. Such closures subject us to costs, including lease termination payments and the write-down of leasehold improvements, equipment, furniture, fixtures and inventory. For early terminations, we may incur charges for asset write-downs and remain liable for future lease obligations, which could have an adverse effect on our profitability and results of operations.

Because of our focus on keeping our inventory at the forefront of fashion trends, extreme and/or unseasonable weather conditions could force us to have higher inventory markdowns or result in lost revenue

Our business is susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the fall season or cool weather during the spring season could render a portion of our inventory incompatible with those unseasonable conditions. Prolonged unseasonable weather conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, extreme weather conditions over a prolonged period might make it difficult for our customers to travel to our stores, which could have an adverse effect on our profitability and results of operations.

Extreme weather can also disrupt our operations and result in store closures, loss of inventory and property damage. Certain regions of the country where our stores are located, such as California and the southeastern United States, experience extreme weather patterns such as hurricanes, tornadoes, wildfires and flooding. While we maintain insurance that allows us to recover some losses from extreme weather events, extreme weather may have a negative effect on our our profitability and results of operations.

We are dependant on our Key Vendors and Factors for credit to acquire merchandise

Our business is dependent upon our ability to purchase merchandise at competitive terms through relationships with our vendors and their factors, as applicable. A significant change in vendor and factor support could limit our ability to acquire desired merchandise at competitive prices or payment terms. Additionally, if we experience declining operating performance or liquidity challenges, vendors and their factors may seek protection against non-payment, such as accelerated payment terms or letters of credit. This could have an adverse effect on our profitability and results of operations.

A lack of adequate sources of merchandise at acceptable prices may adversely affect our sales

Our business is dependent to a significant degree upon our ability to purchase fashion and brand name merchandise and to do so at acceptable wholesale prices. We continuously seek out buying opportunities and compete for these opportunities with other retailers. In the event of a further decrease in retail sales and the resulting pressure on manufacturers, the opportunities to purchase merchandise could become limited by the consolidation or demise of merchandise vendors. Our ability to obtain merchandise also depends on manufacturers ability to obtain vendor financing through banks and factoring companies. To the extent they are unable to secure sufficient credit, they may not be able to sell to us at acceptable terms. Although we do not depend on any single vendor or group of vendors and believe we can successfully compete in seeking out new vendors, the loss of key vendors could make it difficult for us to acquire sufficient quantities and an appropriate mix of merchandise, and to do so at acceptable prices could have an adverse effect on our profitability and results of operations.

Increases in the price of merchandise could increase our costs which could negatively effect our margins

The raw materials used to manufacture our goods are subject to availability constraints and price volatility caused by high demand for fabrics, supply conditions, government regulations, trade restrictions tariffs and other unpredictable factors. Our procurement of goods and services is subject to the effects of price increases which we may or may not be able to pass through to our customers. Additionally, procurement of our merchandise is subject to increases in demand for, or the price of, raw materials, services and labor. All of these factors may affect our ability to access suitable merchandise on acceptable terms, are beyond our control and could have an adverse effect on our profitability and results of operations.

We are dependent on certain key personnel and our ability to attract and retain qualified employees and increases in the cost of employee compensation and benefits could effect our financial results and cash flows

Our business is dependent on attracting and retaining quality employees. Many of our employees are in entry-level or part-time positions with historically high rates of turnover. We also face challenges in recruiting and retaining talent in other areas, including management, merchandising and information technology for reasons such as talent availability in our geographic areas and otherwise. Our ability to meet our labor needs while controlling our labor costs, including hourly wages and costs of providing retirement, health and other employee benefits, and hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs, including health care legislation. Departures of key personnel could be viewed in a negative light by investors or analysts, which could cause a decline in the price of our common stock. In addition, the increased costs associated with hiring and training new employees could affect our results of operations.

The seasonality of our business and fluctuations in sales and operating results could cause volatility in the price of our common stock

Our business is seasonal with our highest sales occurring in the first and fourth quarters, which include the spring and holiday seasons. Our annual operating results depend significantly upon sales generated during these quarters, and any factor that negatively affects these selling seasons could have a material adverse effect on our results of operations for the entire year. Comparable store sales and quarterly operating results have fluctuated in the past and are expected to continue to fluctuate in the future. Our stock price is influenced by these financial fluctuations, as well as other factors, including economic conditions, the timing of promotional events, actions of competitors, inventory management, changes in fashion trends and unseasonable weather conditions.

If we experience any business interruptions or disruptions in the distribution process, our profitability could be materially affected

We may not anticipate, respond adequately to or control all of the challenges of operating our distribution operations. In the event that the orderly receipt and distribution of merchandise is disrupted, including by labor disputes at ports of entry, impeding the timeliness or fulfillment quality of the products being distributed, or any of our distribution centers becomes inaccessible, or is otherwise not fully usable, it would have a material adverse effect on our ability to distribute our products, which in turn would have a material adverse effect on our profitability and results of operations.

We are subject to risks associated with importing merchandise from other countries

Much of the fashion and brand name merchandise we acquire through vendors is sourced from various foreign countries. Political or financial instability, terrorism, trade restrictions, tariffs, currency exchange rates, raw material shortages, disruptions, strikes, work stoppages and other factors beyond our control could affect the availability of our merchandise inventory. Current discussion regarding increases in tariffs or reductions in deductibility for merchandise sourced from foreign vendors could materially affect our inventory costs, and if we are unable to pass those increases on to our customers, the increases could have a material adverse effect on our profitability and results of operations.

Additionally, we require our vendors and the third parties from whom they source merchandise to comply with all applicable laws and regulations, and our own sourcing policies such as the use of labor practices which are considered ethical in the United States and not using fur in our merchandise. We do not have the ability to control our vendors, their manufacturers or their employment and business practices. The failure of our vendors and their suppliers to comply with applicable laws and our policies could affect the availability and price of merchandise, damage our reputation or otherwise have a material adverse effect on our profitability and results of operations.

Failure of information technology could disrupt operations and harm our business

The operation of our business and the effective execution of our merchandising and distribution strategies as well as our financial reporting and online selling processes are dependent in large measure on the effectiveness of our information technology systems as well as those of external service providers. The reliability and capacity of these technology systems are critical and any disruptions may have a material adverse effect on our profitability and results of operations.

We could be adversely affected by unfavorable results of legal proceedings

We are continually involved in various unresolved legal proceedings that arise in the ordinary course of business involving matters such as pricing and wage and hours matters. Often these claims are presented as potential class-action litigation. Regardless of the merit of particular claims, litigation may be expensive, time-consuming and disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into arrangements to settle litigation.

Table of Contents

We do not believe that the ultimate resolution of currently pending legal proceedings or claims, either individually or in the aggregate will have a material adverse effect on our overall financial condition. Litigation is inherently uncertain, however, and it is possible that an unfavorable outcome could result and that some of these matters could be material to our profitability and results of operations for any particular period.

We are subject to data security risks, which could have an adverse effect on our results of operations and consumer confidence in our security measures

Our business and that of our third-party service providers employ systems and websites that allow us to process credit card transactions containing personally identifiable information (PII), perform online Ecommerce and social media activities and store and transmit proprietary or confidential customer, employee, job applicant and other personal confidential information. Security and/or privacy breaches, acts of vandalism or terror, computer viruses, misplaced or lost data, programming, and/or human error or other similar events exposes us to a risk of loss or misuse of this information, litigation and potential liability. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks or intrusions. Attacks may be targeted at us, our customers, our third-party service providers, our vendors, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur significant and additional costs, including, but not limited to the costs to deploy additional personnel and protection technologies, training employees, engaging third-party experts and consultants and compliance costs associated with various applicable laws or industry standards regarding use and/or unauthorized disclosure of PII. As part of our normal operations, we maintain and transmit confidential information about our customers as well as proprietary information relating to our business operations. While we have implemented measures reasonably designed to prevent security breaches and cyber incidents, our systems or our third-party service providers systems are subject to privacy and security incidents, including attacks by unauthorized users, corruption by computer viruses or other malicious software code, emerging cybersecurity risks, inadvertent or intentional release of confidential or proprietary information, or other similar events. A significant data security incident would cause us to incur significant remediation costs, including liability for stolen customer, job applicant or employee information, repairing system damage or providing credit monitoring and/or other benefits to affected customers, job applicants or employees. Advances in computer capabilities, new technological discoveries or other developments may result in the breach or compromise of technology used by us to protect transaction or other data. In addition, data and security breaches can also occur as a result of non-technical issues, including a breach by us or by our third-party service providers that result in the unauthorized release of personal or confidential information. The legal and regulatory environment regarding PII, data security and privacy is increasingly complex at both the federal and state level. Compliance with new data protection requirements may cause us to incur substantial costs, limit our ability to obtain and utilize PII of our customers in our business and expose us to litigation and regulatory risks, each of which could have a material adverse effect on our profitability and results of operations.

We rely on a single supplier of shoes sold by our shoe department and disruptions with that supplier could materially affect our reputation, operations and financial results

We have an agreement with DSW to be the exclusive supplier of shoes sold in our shoe departments. We rely on DSW to determine the quantity and mix of shoes to be sold, the prices at which such items are to be sold and the fulfillment and continuing supply of inventory. If DSW is unable to provide us with sufficient amounts of inventory or inventory that meets the fashion preferences of our customers or if DSW is unable to continue being our supplier of shoes, we may attract fewer customers and experience a loss in net sales, which could materially affect our reputation, profitability and results of operations.

We utilize the services of two third-party service providers to operate and maintain our Ecommerce website and to provide order management, customer service and fulfillment support. Disruptions with these providers

or in the services they provide to us could adversely affect our reputation, operations and financial results

We have contracted with a third-party service provider to create, operate and host our Ecommerce website. We have contracted with a second third-party service provider to provide order management, customer service, payment, fraud and fulfillment services. We rely on the operational, privacy and security procedures and controls of these two providers to host and operate our Ecommerce business. Failure of either of these providers to adequately service these aspects of our Ecommerce business could result in prolonged disruption which affects our customers ability to utilize our website or receive the product in a timely manner. As a result, we may lose customer sales and/or experience increased costs which could affect our reputation, operations and financial results. In addition, the Ecommerce operations also involve other risks which could influence our results of operations including but not limited to diversion of sales from our physical stores, liability for online content, credit card fraud and risks related to the failure of the computer systems which operate the website and related support systems, any of which could have a material adverse effect on our profitability and results of operations.

Acts or threats of terrorism, violence or unfavorable political conditions could harm our business

Acts of terrorism or war may disrupt commerce and undermine consumer confidence, which could negatively affect our sales by causing consumer spending to decline. Also, an act of terrorism or war, or the threat thereof, could negatively affect our business by interfering with our ability to obtain merchandise from vendors. Inability to obtain merchandise from our vendors or substitute suppliers at similar costs in a timely manner could have a material adverse effect on our profitability and results of operations.

Failure to comply with legal and regulatory requirements may adversely effect our business and results of operations

Our business is subject to many legal and regulatory requirements, including, among others, employment, trade, healthcare, tax, securities and privacy laws and regulations. Our policies, procedures and internal controls are designed to help us comply with all applicable laws. Additional legal or regulatory requirements or more stringent interpretations of applicable requirements could increase the complexity of the regulatory environment in which we operate and the cost of compliance. Failure to comply with the various laws and regulations, as well as changes in laws and regulations could have an adverse effect on our reputation, profitability and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Stores

The following table sets forth our store count activity during the last two fiscal years:

	2018	2017
Stores at beginning of year	293	290
Stores opened during the year	2	9
Stores closed during the year	(8)	(6)
Stores at end of year	287	293

As of February 2, 2019, we operated 287 stores in the following 30 states:

State	Number of Stores
Alabama	9
Arizona	10
Arkansas	3
California	26
Colorado	5
Delaware	1
Florida	45
Georgia	14
Illinois	7
Indiana	7

State	Number of Stores
Kansas	3
Kentucky	2
Louisiana	7
Michigan	4
Mississippi	6
Missouri	3
Nevada	4
New Jersey	4
New Mexico	1
New York	3
North Carolina	20
Ohio	11
Oklahoma	4
Pennsylvania	6
South Carolina	11
Tennessee	13
Texas	42
Utah	1
Virginia	13
Wisconsin	2

We lease all of our store locations, generally for 10 years with options to extend the lease term for two or more 5-year periods. We have the right to terminate some of these leases before the expiration date under specified circumstances and some with specified termination payments. Most of our leases provide for fixed minimum rents, as well as contingent amounts based on a percentage of sales in excess of specified levels, however only a small number of leases result in contingent payments, which are currently immaterial. See Note 5 Leases of the Notes to Consolidated Financial Statements for further discussion.

Table of Contents

As of February 2, 2019, we leased the following additional facilities:

Facility	Location	Square Feet
Distribution Center/Warehouse	Lithia Springs, Georgia	342,000
Distribution Centers:	Ontario, California	91,000
	Grand Prairie, Texas	99,000

We also lease our 109,000 square foot corporate headquarters in Jacksonville, Florida.

As of February 2, 2019, the current terms of our 287 stores (assuming we exercise all lease renewal options) were as follows:

Fiscal Years Lease Term Expire	Number of Leases Expiring
2019	4
2020-2023	25
2024-2028	64
2029-2033	78
2034 and later	116

ITEM 3. LEGAL PROCEEDINGS

We are involved in various routine legal proceedings incidental to the conduct of our business. While some of these matters could be material to our results of operations or cash flows for any period if an unfavorable outcome results, we do not believe that the ultimate resolution of currently pending legal proceedings, either individually or in the aggregate will have a material adverse effect on our overall financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price and Related Matters

Our common stock trades on the NASDAQ Global Select Market (NASDAQ) under the trading symbol SMRT. On March 25, 2019, there were 766 shareholders of record.

Dividends

The declaration and payment of cash dividends is at the discretion of our Board of Directors and will be dependent upon our future earnings, cash flows, financial condition and capital requirements. On May 17, 2017, we suspended our quarterly cash dividend and we do not plan to pay dividends for the foreseeable future.

Table of Contents

Issuer Purchases of Equity Securities

The following table sets forth information regarding repurchases of shares of our common stock during the quarter ended February 2, 2019:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum number of shares that may yet be purchased under the plans or programs (1) (2)
November 4, 2018 December 1, 2018	-	$ -	-	366,889
December 2, 2018 January 5, 2019	979	1.48	-	366,889
January 6, 2019 - February 2, 2019	68,581	1.14	-	366,889
Total	69,560			

t:10.0pt;text-indent:-10.0pt;" --> 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 reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. On a periodic basis, we estimate doubtful accounts based on historical bad debt, factors related to specific customers' ability to pay and current economic trends. We write off accounts receivable against the allowance when a balance is determined to be uncollectible. Amounts are considered to be uncollectable based upon historical experience and management's evaluation of outstanding accounts receivable.

We do not accrue interest on trade receivables. A receivable is considered past due if payments have not been received within the credit terms on the account, typically 30-60 days for most customers.

We will turn an account over for collection when approximately 120 days past due. Accounts are considered uncollectible if no payments are received 60 to 90 days after they have been turned over for collection.

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.

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 January 2, 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.

Results of Operations

The following table presents selected condensed consolidated financial information for our Company for the fiscal years ended January 2, 2016 ("fiscal 2015") and January 3, 2015 ("fiscal 2014").

	Year ended January 2, 2016			Year Ended January 3, 2015		
Net sales	$	205,804	100.0%	$	205,359	100.0%
Cost of goods sold		143,854	69.9%		138,418	67.4%
Gross profit		61,950	30.1%		66,941	32.6%
General and administrative expenses		46,132	22.4%		40,273	19.6%
Selling expenses		17,780	8.6%		18,437	9.0%
Depreciation and amortization		6,780	3.3%		5,548	2.7%
Income (loss) from operations		(8,742)	(4.2)%		2,683	1.3%
Interest expense, net		3,333	1.6%		3,455	1.7%
(Benefit) for income taxes		(3,424)	1.7%		(527)	0.3%
Net loss	$	(8,651)	(4.2)%	$	(245)	(0.1)%

Fiscal 2015 Compared with Fiscal 2014

Net sales increased slightly from $205,359 for fiscal 2014 to $205,804 for fiscal 2015. Net sales were impacted by our focus on our core branded business and exiting non-core business in licensing, private label, and furniture categories, as well as the unfavorable effect of a strengthening U.S. dollar. Excluding $14,691 and $6,825 of sales related to non-core business in licensed, private label, and furniture sales in fiscal 2014 and 2015, respectively, as well as $3,281 unfavorable foreign exchange effect on a constant currency basis, our core branded sales increased by 6.1% in fiscal 2015. This increase in our core branded business, namely our Summer®, SwaddleMe®, and BornFree® branded products, was primarily attributable to increased sales of our 3D Lite Convenience Strollers, Pop n Play Portable Playards, gates and bath products.

Cost of goods sold included 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 relatively the same for fiscal 2015 as compared to fiscal 2014.

Gross profit declined 7.5% from $66,941 for fiscal 2014 to $61,950 for fiscal 2015, and gross margin declined from 32.6% for fiscal 2014 to 30.1% for fiscal 2015. The decline in gross margin dollars and as a percent of sales was primarily due to $1,937 in losses on the sale of excess inventory below cost relating primarily to our bank-approved inventory reduction plan, $949 of inventory charges taken as we completed our exit of the furniture category, $690 in temporary demurrage, and a $2,178 unfavorable foreign exchange effect on a constant currency basis, primarily due to the decline in the value of the Canadian dollar. Excluding the impact of the above charges, gross margin as a percent of net sales for fiscal 2015 would have been 32.4%.

Table of Contents

General and administrative expenses increased 14.5% from $40,273 for fiscal 2014 to $46,132 for fiscal 2015 and as a percent of sales from 19.6% for fiscal 2014 to 22.4% for fiscal 2015. The increase in general and administrative expense dollars and as a percent of net sales is primarily attributable to $6,275 in legal costs incurred in connection with the Complaint, as futher described below under "Legal Proceedings," and $370 related to an employee termination that was settled in the second quarter of 2015. Excluding these costs, general and administrative expenses were 19.2% of sales.

Selling expenses decreased 3.6% from $18,437 for fiscal 2014 to $17,780 for fiscal 2015, and decreased as a percent of sales from 9.0% for fiscal 2014 to 8.6% for fiscal 2015. The decrease in dollars and as a percent of sales was primarily attributable to continuing cost controls implemented over retailer programs such as cooperative advertising and lower royalty costs under licening agreement as part of discontinuing certain licensing arrangements.

Depreciation and amortization increased 22.2% from $5,548 in fiscal 2014 to $6,780 for fiscal 2015. The increase in depreciation and amortization is primarily attributable $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 our product lines.

Interest expense decreased 3.5% from $3,455 in fiscal 2014 to $3,333 for fiscal 2015. The Company refinanced its credit facilities in April of 2015 which resulted in lower interest rates related to our new credit facilities and lower average debt balances. However, the savings was partially offset by a non-cash write off of $685 of past unamortized financing fees and termination fees.

For fiscal 2015, we recorded a $3,424 tax benefit on $12,075 of pretax loss for the period. Excluding the effect of $150 of reinstated research and development tax credits, a $327 charge for uncertain tax positions, and a $342 valuation adjustment established on foreign tax depreciation, the adjusted tax rate for fiscal 2015 was 32.6%. For fiscal 2014, we recorded a $527 benefit for income taxes on a $772 pretax loss. Excluding the effect of $197 of reinstated research and development tax credits as a discrete items for the year, the adjusted tax rate for fiscal 2014 was 42.8%.

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 from Asia 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 2015, net cash provided by operating activities was approximately $9,339 and was generated primarily from improved inventory turns and more favorable payment terms from our suppliers. For fiscal 2014, net cash used in operating activities totaled $6,276 and was primarily attributable to investments made in inventory as well as an increase in receivables on higher year over year sales in the fourth quarter.

For fiscal 2015, net cash used in investing activities was approximately $3,505. For fiscal 2014, net cash used in investing activities was $2,960. The use of cash in investing activities was primarily attributable to tooling and mold capital expenditures related to new product introductions.

For fiscal 2015, net cash used in financing activities was approximately $5,116, reflecting repayments on our credit facility. For fiscal 2014, net cash provided by financing activities of $9,040 primarily reflects borrowings on our credit facility to pay for investments made in working capital during the year.

Based primarily on the above factors, net cash decreased for fiscal year 2015 by $349, resulting in a cash balance of approximately $923 at fiscal year end.

The following table summarizes our significant contractual commitments at fiscal 2015 year end:

		Payment Due by Fiscal Period				
Contractual Obligations	**Total**	**2016**	**2017**	**2018**	**2019**	**2019 and beyond**
Revolving Facility	$ 40,005					$ 40,005
FILO Facility	5,000	$ 1,250	$ 2,500	$ 1,250		
Term Loan Facility	8,500	2,000	2,000	2,000	$ 2,000	500
Estimated future interest payments on Revolving Facility	4,695	1,185	1,125	1,065	1,005	315
Estimated future interest payments on FILO Facility	357	208	119	30		
Estimated future interest payments on Term Loan Facility	866	356	261	166	71	12
Operating leases	12,410	1,936	2,293	2,198	2,122	3,861
Capital leases and other liabilities	1,027	489	431	107		
Total contractual cash obligations	$ 72,860	$ 7,424	$ 8,729	$ 6,816	$ 5,198	$ 44,693

Estimated future interest payments on our line of credit are based upon the interest rates in effect at January 2, 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 are 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 additional 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.

Table of Contents

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 that our lenders will grant waivers if there are covenant violations. In addition, should we need to raise additional funds through additional debt or equity financings, any sale of additional 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

In April 2015, we and our wholly owned subsidiary, Summer Infant (USA), Inc., entered into an amended and restated loan and security agreement with Bank of America, N.A., as agent, providing for an asset-based credit facility. The Credit Facility replaced our prior credit facility with Bank of America. On December 10, 2015, we amended the Credit Facility with respect to (i) the interest rate under each of Revolving Facility, the FILO Facility and the Term Loan Facility; (ii) to modify the maximum leverage ratio financial covenant; (iii) to modify certain expenses and fees included within the definition of EBITDA; and (iv) to remove the occurrence of an event having a material adverse effect on the Company as an event of default (as amended, 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.

The scheduled maturity date of the loans under the Revolving Facility and the Term Loan Facility is April 21, 2020, and loans under the FILO Facility terminate April 21, 2018, subject in each case to customary early termination provisions. Any termination of the Revolving Facility would require termination of the Term Loan Facility and the FILO Facility.

All obligations under the Credit Facility are secured by substantially all our assets. In addition, our subsidiaries, Summer Infant Canada Limited and Summer Infant Europe Limited, are guarantors under the Credit Facility. Proceeds from the loans were used to (i) repay our outstanding term loan, (ii) pay fees and transaction expenses associated with the closing of the Credit Facility, (iii) pay obligations under the Credit Facility, and (iv) pay for lawful corporate purposes, including working capital.

Borrowings under the Revolving Facility will bear interest, at our option, at a base rate or at LIBOR, plus applicable margins based on average quarterly availability and ranging between 2.0% and 2.5% on LIBOR borrowings and 0.5% and 1.0% on base rate borrowings. Loans under the FILO

Facility and Term Loan Facility will bear interest, at the Company's option, at a base rate or at LIBOR, plus a margin of 4.25% on LIBOR borrowings and 2.75% on base rate borrowings.

Beginning on July 1, 2015, we were required to begin repaying the Term Loan Facility in quarterly installments of $500. Beginning with the fiscal year ending January 2, 2016, we were required to prepay the Term Loan Facility in an amount equal to 50% our "excess cash flow," if any, as such term is defined in the Credit Facility, at the end of each fiscal year.

Under the Credit Facility, we must comply with certain financial covenants, including that we (i) maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for the twelve consecutive fiscal months most recently ended and (ii) maintain a certain leverage ratio at the end of each fiscal quarter. For purposes of the financial covenants, consolidated EBITDA is defined as net income before interest, taxes, depreciation and amortization, plus certain customary expenses, fees, non-cash charges and up to $2,000 of specified inventory dispositions, and minus certain customary non-cash items increasing net income and other specified items.

The Credit Facility contains customary affirmative and negative covenants. Among other restrictions, the Company is restricted in its ability to incur additional debt, make acquisitions or investments, dispose of assets, or make distributions unless in each case certain conditions are satisfied. The Credit Facility also contains customary events of default, including the occurrence of a change of control. In the event of a default, all of the Company's obligations under the Credit Facility may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations immediately become due and payable.

As of January 2, 2016, the base rate on loans was 4.5% and the LIBOR rate was 3.0%. The amount outstanding on the Revolving Facility at January 2, 2016 was $40,005. Total borrowing capacity under the Revolving Facility at January 2, 2016 was $49,264 and borrowing availability was $9,259. The amounts outstanding on the Term Loan Facility and FILO Facility at January 2, 2016 were $8,500 and $5,000, respectively.

Prior Credit Facility and Term Loan.

The Credit Facility replaced the Company's prior credit facility with Bank of America and the Company's prior term loan agreement with Salus Capital Partners, LLC. Prior to April 2015, the Company had a loan and security agreement with Bank of America N.A. that provided for an $80,000, asset-based revolving credit facility, with a $10,000 letter of credit sub-line facility.

The Company evaluated the Credit Facility, by lender, to determine the proper accounting treatment for the transaction. Accordingly, debt extinguishment accounting was used to account for the pay off of the prior term loan agreement with Salus Capital Partners, LLC and for the pay off of a member of the prior credit facility with Bank of America who did not continue in the Credit Facility resulting in the write off of $549 in remaining unamortized deferred financing costs and $135 in termination fees. Debt modification accounting was used for the remaining members of the prior credit facility resulting in their remaining unamortized deferred financing costs of $601 and the new financing costs of $1,134 to be capitalized and amortized over the life of the new debt beginning in the second quarter of fiscal 2015.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during the year ended January 2, 2016 or the year ended January 3, 2015.

Table of Contents

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. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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 has evaluated the impact this guidance will have on its consolidated financial statements and expects the impact to be immaterial.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." This guidance required 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 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, our liquidity for the next 12 months, the ability of our new leadership team and expected trends and product offerings in 2016. 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;

- the purchasing policies of and advertising and promotional support from our 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 debt agreements;
- 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;
- 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; and
- an impairment of other intangible assets.

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.

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.

Table of Contents

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 January 2, 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 January 2, 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 deposition 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.

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 January 2, 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 January 2, 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 January 2, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Item 9B. Other Information

In December 2015, the Compensation Committee of our Board of Directors recommended, and the Board of Directors approved, changes to the compensation program for the Executive Chairman of the Board, Dan Almagor. Effective as of December 2015, the following compensation program for the Chairman was approved, replacing the previous compensation program: (i) a monthly cash stipend totaling $17,400, retroactive to January 1, 2015 (excluding consideration of any prior retainer payments); (ii) a cash bonus opportunity of up to $50,000 upon achievement of projects specified by the Board, such achievement to be determined in the sole discretion of the Board; and (iii) a performance-based restricted stock unit award (the "Award") based on the achievement of specified stock price performance under the Company's 2012 Incentive Compensation Plan, having a performance period of approximately two years and expiring on the date of the annual shareholder meeting held in 2017. The RSU pays out a specified dollar amount in shares of the Company common stock upon achievement of stock price triggers, with the maximum total payout under the Award not to exceed $780,000.

Table of Contents

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 2016 Annual Meeting of Stockholders (the "2016 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 2016 Proxy Statement and is also 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 2016 Proxy Statement and is incorporated herein by reference.

The information concerning procedures by which stockholders may recommend director nominees is set forth in the 2016 Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

The information relating to executive compensation is set forth in the 2016 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 2016 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 2016 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 2016 Proxy Statement and is incorporated herein by reference.

Table of Contents

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.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 24th day of February 2016.

SUMMER INFANT, INC.

By: /s/ ROBERT STEBENNE

Robert Stebenne
Chief Executive Officer
(Principal Executive Officer)

By: /s/ WILLIAM E. MOTE, JR.

William E. Mote, Jr.
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

Name	Title	Date
/s/ ROBERT STEBENNE Robert Stebenne	Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2016
/s/ WILLIAM E. MOTE, JR. William E. Mote, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)	February 24, 2016
/s/ DAN ALMAGOR Dan Almagor	Director	February 24, 2016
/s/ MARTIN FOGELMAN Martin Fogelman	Director	February 24, 2016
/s/ ROBIN MARINO Robin Marino	Director	February 24, 2016
/s/ ALAN MUSTACCHI Alan Mustacchi	Director	February 24, 2016

Table of Contents

Name	Title	Date
/s/ DERIAL SANDERS Derial Sanders	Director	February 24, 2016
/s/ RICHARD WENZ Richard Wenz	Director	February 24, 2016
/s/ STEPHEN ZELKOWICZ Stephen Zelkowicz	Director	February 24, 2016

Table of Contents

Summer Infant, Inc. and Subsidiaries
Index to Financial Statements

Table of Contents

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 January 2, 2016 and January 3, 2015, 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 January 2, 2016 and January 3, 2015, 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 24, 2016

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.

	January 2, 2016	January 3, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 923	$ 1,272
Trade receivables, net of allowance for doubtful accounts of $142 and $159 at January 2, 2016 and January 3, 2015, respectively	40,514	38,794
Inventory, net	36,846	44,010
Prepaids and other current assets	1,758	2,076
Deferred tax assets, current	799	1,194
TOTAL CURRENT ASSETS	80,840	87,346
Property and equipment, net	12,007	13,080
Other intangible assets, net	18,512	20,679
Deferred tax assets, noncurrent	1,684	
Other assets	1,584	1,362
TOTAL ASSETS	$ 114,627	$ 122,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 29,541	$ 21,878
Accrued expenses	9,584	8,628
Current portion of long-term debt and capital leases	3,318	1,641
TOTAL CURRENT LIABILITIES	42,443	32,147
Long-term debt, less current portion	50,256	57,097
Other liabilities	2,962	2,994
Deferred tax liabilities, noncurrent		2,378
TOTAL LIABILITIES	95,661	94,616
STOCKHOLDERS' EQUITY		
Preferred Stock, $0.0001 par value, 1,000,000 authorized, none issued or outstanding at January 2, 2016 and January 3, 2015		
Common Stock $0.0001 par value, authorized, issued and outstanding of 49,000,000, 18,639,407, and 18,367,758 at January 2, 2016 and 49,000,000, 18,415,934 and 18,144,285 at January 3, 2015, respectively	2	2
Treasury Stock at cost (271,649 shares at January 2, 2016 and January 3, 2015)	(1,283)	(1,283)
Additional paid-in capital	75,812	74,954
Accumulated deficit	(53,063)	(44,412)
Accumulated other comprehensive loss	(2,502)	(1,410)

TOTAL STOCKHOLDERS' EQUITY	18,966	27,851
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 114,627	$ 122,467

See notes to consolidated financial statements.

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 January 2, 2016	For the fiscal year ended January 3, 2015
Net sales	$ 205,804	$ 205,359
Cost of goods sold	143,854	138,418
Gross profit	61,950	66,941
General and administrative expenses	46,132	40,273
Selling expenses	17,780	18,437
Depreciation and amortization	6,780	5,548
Operating income (loss)	(8,742)	2,683
Interest expense, net	3,333	3,455
Loss before provision for income taxes	(12,075)	(772)
Benefit for income taxes	(3,424)	(527)
NET LOSS	$ (8,651)	$ (245)
Net loss per share BASIC	$ (0.47)	$ (0.01)
Weighted average shares outstanding BASIC	18,267,596	18,060,799
Net loss per share DILUTED	$ (0.47)	$ (0.01)
Weighted average shares outstanding DILUTED	18,267,596	18,060,799

See notes to consolidated financial statements.

F-4

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	
	January 2, 2016	**January 3, 2015**
Net loss	$ (8,651)	$ (245)
Other comprehensive loss:		
Foreign currency translation adjustments	(1,092)	(633)
Comprehensive loss	$ (9,743)	$ (878)

See notes to consolidated financial statements.

F-5

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 January 2, 2016	For the fiscal year ended January 3, 2015
Cash flows from operating activities:		
Net loss	$ (8,651)	$ (245)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,780	5,548
Stock-based compensation	865	1,220
Loss on asset disposal	42	
Deferred income taxes	(3,685)	(1,130)
Changes in assets and liabilities, net of effects of acquisitions		
(Increase) in accounts receivable	(1,715)	(4,622)
Decrease (increase) in inventory	7,170	(6,093)
Decrease (increase) in prepaids and other current assets	250	(86)
Decrease (increase) in other assets	(342)	392
Increase (Decrease) in accounts payable and accrued expenses	8,625	(1,260)
Net cash (used in) provided by operating activities	9,339	(6,276)
Cash flows from investing activities:		
Acquisitions of property and equipment	(3,033)	(2,733)
Acquisitions of other intangible assets	(472)	(227)
Net cash used in investing activities	(3,505)	(2,960)
Cash flows from financing activities:		
Proceeds from new Term Loan Facility	10,000	
Proceeds from new FILO Facility	5,000	
(Repayment) of Prior Term Loan	(12,500)	(1,500)
(Repayment) of New Term Loan Facility	(1,500)	
Net (repayments) borrowings on revolving facilities	(6,163)	10,521
Issuance of common stock upon exercise of stock options	47	19
Net cash provided by (used in) financing activities	(5,116)	9,040
Effect of exchange rate changes on cash and cash equivalents	(1,067)	(105)
Net decrease in cash and cash equivalents	(349)	(301)
Cash and cash equivalents at beginning of year	1,272	1,573
Cash and cash equivalents at end of year	$ 923	$ 1,272

Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$	2,318	$	3,310
Cash paid during the year for income taxes	$	158	$	90

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

For the Fiscal Years Ended January 2, 2016 and January 3, 2015

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

	Common Stock		Additional Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Comprehensive Loss	Total Equity
	Shares	Amount					
Balance at December 31, 2013	17,986,275	$ 2	$ 73,715	$ (1,283)	$ (44,167)	$ (777)	$ 27,490
Issuance of common stock upon vesting of restricted shares	152,010						
Issuance of common stock upon exercise of stock options	6,000		19				19
Stock-based compensation			1,220				1,220
Net loss for the year					(245)		(245)
Foreign currency translation adjustment						(633)	(633)
Balance at January 3, 2015	18,144,285	$ 2	$ 74,954	$ (1,283)	$ (44,412)	$ (1,410)	$ 27,851
Issuance of common stock upon vesting of restricted shares	198,473						
Issuance of common stock upon exercise of stock options	25,000		47				47
Stock-based compensation			811				811
Net loss for the year					(8,651)		(8,651)
Foreign currency translation						(1,092)	(1,092)

adjustment

Balance at January 2, 2016	18,367,758	$	2	$	75,812	$	(1,283)	$	(53,063)	$	(2,502)	$	18,966

See notes to consolidated financial statements.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company designs, markets and distributes branded juvenile health, safety and wellness products that are sold globally to large national retailers as well as independent retailers, primarily in North America. The Company currently markets its products in several product categories including monitoring, safety, nursery, baby gear, and feeding products. Most products are sold under our core brand names of Summer®, SwaddleMe®, Born Free®, and Kiddopotamus®.

Basis of Presentation and Principles of Consolidation

It is the Company's policy to prepare its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

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

Change in Fiscal Year

In December 2014, the Board of Directors approved a change in the Company's fiscal year, from a fiscal year ending on December 31 of each calendar year to a fiscal year ending on the Saturday closest to December 31 of each calendar year. This change is effective with the Company's fiscal year ended on January 3, 2015. There were fifty two weeks in the fiscal years ended January 2, 2016 and January 3, 2015.

Summary of Significant Accounting Policies

Revenue Recognition

The Company records 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, customer discounts, and other sales related discounts. The Company bases its estimates for discounts, returns and allowances on negotiated customer terms and historical experience. Customers do not have the right to return products unless the products are defective. The Company records a reduction of sales for estimated future defective product deductions based on contractual terms and historical experience.

Sales incentives or other consideration given by the Company 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 the Company for assets or services received, such as the appearance of the Company's products in a customer's national circular ad, are reflected as selling and marketing expenses in the accompanying statements of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

certain reported amounts and disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash flows, cash and cash equivalents include money market accounts and investments with an original maturity of three months or less. At times, the Company possesses cash balances in excess of federally-insured limits.

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 uncollectable based upon historical experience and management's evaluation of outstanding accounts receivable.

Inventory Valuation

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

Property and Equipment

Property and equipment are recorded at cost. The Company owns the tools and molds used in the production of its products by third party manufacturers. Capitalized mold costs include costs incurred for the pre-production design and development of the molds.

Depreciation is provided over the estimated useful lives of the respective assets using either straight-line or accelerated methods.

Long-Lived Assets with Finite Lives

The Company reviews long-lived assets with finite lives for impairment (using the group concept) 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 the Company to current operations.

F-9

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Indefinite-Lived Intangible Assets

The Company accounts for intangible assets in accordance with accounting guidance that requires that intangible assets with indefinite useful lives be tested annually for impairment and more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company's annual impairment testing is conducted in the fourth quarter of every year.

The Company tests 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 cost 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.

The Company determined that no impairment existed on its indefinite-lived intangible assets for the years ended January 2, 2016 and January 3, 2015.

Fair Value Measurements

The Company follows ASC 820, "Fair Value Measurements and Disclosures" which includes a framework for measuring fair value and expanded related disclosures. Broadly, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The standard established a three-level valuation hierarchy based upon observable and non-observable inputs.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Significant inputs to the valuation model are unobservable.

The Company maintains policies and procedures to value instruments using the best and most relevant data available. In addition, the Company utilizes third party specialists that review valuation, including independent price validation.

The Company's financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable, accrued expenses, and short and long-term borrowings. Because of their short maturity, the carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued expenses and short-term borrowings approximate fair value. The carrying value of long-term borrowings approximates fair value, which is based on quoted market prices or on rates available to the Company for debt with similar terms and maturities.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 carryforwards. 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 benefits will be realized.

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

Translation of Foreign Currencies

The assets and liabilities of the Company's European, Canadian, Israeli, and Asian operations have been translated into U.S. dollars at year-end exchange rates and the income and expense accounts of these subsidiaries have been translated at average rates prevailing during each respective year. Resulting translation adjustments are made to a separate component of stockholders' equity within accumulated other comprehensive loss. Foreign exchange transaction gains and losses are included in the accompanying consolidated statements of operations.

Shipping Costs

Shipping costs to customers are included in selling expenses and amounted to approximately $1,882 and $1,889 for the fiscal years ended January 2, 2016 and January 3, 2015, respectively.

Advertising Costs

The Company charges advertising costs to selling expense as incurred. Advertising expense, which consists primarily of promotional and cooperative advertising allowances provided to customers, was approximately $14,743 and $15,245 for the fiscal years ended January 2, 2016 and January 3, 2015, respectively.

Net Loss Per Share

Basic earnings per share is calculated by dividing net loss for the period by the weighted average number of common stock outstanding during the period.

Diluted loss per share for the Company is computed by dividing net loss by the dilutive weighted average shares outstanding which includes: the dilutive impact (using the "treasury stock" method) of "in the money" stock options and unvested restricted shares issued to employees. Options to purchase 1,380,147 and

1,729,365 shares of the Company's common stock and 197,572 and 242,249 of restricted shares were not included in the calculation, due to the fact that these instruments were anti-dilutive for the fiscal years ended January 2, 2016 and January 3, 2015, respectively.

Table of Contents

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New 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. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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 has evaluated the impact this guidance will have on its consolidated financial statements and expects the impact to be immaterial.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." This guidance required 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 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.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. PROPERTY AND EQUIPMENT

Property and equipment, at cost, consisted of the following:

	For the fiscal year ended January 2, 2016	January 3, 2015	Depreciation/ Amortization Period
Computer-related	$ 6,327	$ 6,201	5 years
Tools, dies, prototypes, and molds	31,052	28,667	1 - 5 years
Building	4,156	4,156	30 years
Other	5,793	5,437	various
	47,328	44,461	
Less: accumulated depreciation	35,321	31,381	
Property and equipment, net	$ 12,007	$ 13,080	

Property and equipment included amounts acquired under capital leases of approximately $470 and $1,387 at January 2, 2016 and January 3, 2015, respectively, with related accumulated depreciation of approximately $257 and $537, respectively. Total depreciation expense was $4,142 and $4,425 for the fiscal years ended January 2, 2016 and January 3, 2015, respectively.

3. INTANGIBLE ASSETS

Intangible assets

Intangible assets consisted of the following:

	For the fiscal year ended January 2, 2016	January 3, 2015
Brand names	$ 14,812	$ 14,812
Patents and licenses	3,766	3,605
Customer relationships	6,946	6,946
Other intangibles	1,882	1,882
	27,406	27,245
Less: accumulated amortization	(8,894)	(6,566)
Intangible assets, net	$ 18,512	$ 20,679

The amortization period for the majority of the intangible assets ranges from 5 to 20 years for those assets that have an estimated life; certain assets have indefinite lives (brand names). Total of intangibles not subject to amortization amounted to $12,308 for the fiscal years ended January 2, 2016 and January 3, 2015, respectively.

Amortization expense amounted to $2,638 and $1,123 for the fiscal years ended January 2, 2016 and January 3, 2015, respectively. In the fourth quarter of the year ended January 2, 2016, the Company recorded $1,532 of accelerated amortization due to the shortened estimated useful life on

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. INTANGIBLE ASSETS (Continued)

older technology as we move to our next generation of technology that is being developed in our product lines.

No impairment existed for the fiscal years ended January 2, 2016 and January 3, 2015.

Estimated amortization expense for the next five years is as follows:

Fiscal Year ending		
2016	$	706
2017		706
2018		685
2019		677
2020		427

4. DEBT

Credit Facilities

In April 2015, the Company and our wholly owned subsidiary, Summer Infant (USA), Inc., entered into an amended and restated loan and security agreement with Bank of America, N.A., as agent, providing for an asset-based credit facility. The Credit Facility replaced the Company's prior credit facility with Bank of America. On December 10, 2015, the Company amended the Credit Facility with respect to (i) the interest rate under each of Revolving Facility, the FILO Facility and the Term Loan Facility; (ii) to modify the maximum leverage ratio financial covenant; (iii) to modify certain expenses and fees included within the definition of EBITDA; and (iv) to remove the occurrence of an event having a material adverse effect on the Company as an event of default (as amended, 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.

The scheduled maturity date of the loans under the Revolving Facility and the Term Loan Facility is April 21, 2020, and loans under the FILO Facility terminate April 21, 2018, subject in each case to customary early termination provisions. Any termination of the Revolving Facility would require termination of the Term Loan Facility and the FILO Facility.

All obligations under the Credit Facility are secured by substantially all of the Company's assets. In addition, Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the Credit Facility. Proceeds from the loans were used to (i) repay the

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. DEBT (Continued)

Company's outstanding term loan, (ii) pay fees and transaction expenses associated with the closing of the Credit Facility, (iii) pay obligations under the Credit Facility, and (iv) pay for lawful corporate purposes, including working capital.

Borrowings under the Revolving Facility will bear interest, at the Company's option, at a base rate or at LIBOR, plus applicable margins based on average quarterly availability and ranging between 2.0% and 2.5% on LIBOR borrowings and 0.5% and 1.0% on base rate borrowings. Loans under the FILO Facility and Term Loan Facility will bear interest, at the Company's option, at a base rate or at LIBOR, plus a margin of 4.25% on LIBOR borrowings and 2.75% on base rate borrowings.

Beginning on July 1, 2015, the Company was required to begin repaying the Term Loan Facility in quarterly installments of $500. Beginning with the fiscal year ending January 2, 2016, the Company was required to prepay the Term Loan Facility in an amount equal to 50% of the Company's "excess cash flow," as such term is defined in the Credit Facility, at the end of each fiscal year.

Under the Credit Facility, the Company must comply with certain financial covenants, including that the Company (i) maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for the twelve consecutive fiscal months most recently ended and (ii) maintain a certain leverage ratio at the end of each fiscal quarter. For purposes of the financial covenants, consolidated EBITDA is defined as net income before interest, taxes, depreciation and amortization, plus certain customary expenses, fees, non-cash charges and up to $2,000 of specified inventory dispositions, and minus certain customary non-cash items increasing net income and other specified items.

The Credit Facility contains customary affirmative and negative covenants. Among other restrictions, the Company is restricted in its ability to incur additional debt, make acquisitions or investments, dispose of assets, or make distributions unless in each case certain conditions are satisfied. The Credit Facility also contains customary events of default, including the occurrence of a change of control. In the event of a default, all of the Company's obligations under the Credit Facility may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations immediately become due and payable.

As of January 2, 2016, the base rate on loans was 4.5% and the LIBOR rate was 3.0%. The amount outstanding on the Revolving Facility at January 2, 2016 was $40,005. Total borrowing capacity under the Revolving Facility at January 2, 2016 was $49,264 and borrowing availability was $9,259. The amounts outstanding on the Term Loan Facility and FILO Facility at January 2, 2016 were $8,500 and $5,000, respectively.

Aggregate maturities of bank debt related to the BofA credit facility:

Fiscal Year ending:		
2016	$	3,250
2017		4,500

2018		3,250
2019		2,000
2020		40,505
Total	$	53,505

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. DEBT (Continued)

Prior Credit Facility and Term Loan

The Credit Facility replaced the Company's prior credit facility with Bank of America and the Company's prior term loan agreement with Salus Capital Partners, LLC. Prior to April 2015, the Company had a loan and security agreement with Bank of America N.A. that provided for an $80,000, asset-based revolving credit facility, with a $10,000 letter of credit sub-line facility.

The Company evaluated the Credit Facility, by lender, to determine the proper accounting treatment for the transaction. Accordingly, debt extinguishment accounting was used to account for the pay off of the prior term loan agreement with Salus Capital Partners, LLC and for the pay off of a member of the prior credit facility with Bank of America who did not continue in the Credit Facility resulting in the write off of $549 in remaining unamortized deferred financing costs and $135 in termination fees. Debt modification accounting was used for the remaining members of the prior credit facility resulting in their remaining unamortized deferred financing costs of $601 and the new financing costs of $1,134 to be capitalized and amortized over the life of the new debt beginning in the second quarter of fiscal 2015.

Sale-Leaseback

On March 24, 2009, Summer Infant (USA), Inc., the Company's wholly owned subsidiary ("Summer USA"), entered into a definitive agreement with Faith Realty II, LLC, a Rhode Island limited liability company ("Faith Realty") (the members of which are Jason Macari, the former Chief Executive Officer of the Company and current investor, and his spouse), pursuant to which Faith Realty purchased the corporate headquarters of the Company located at 1275 Park East Drive, Woonsocket, Rhode Island (the "Headquarters"), for $4,052 and subsequently leased the Headquarters back to Summer USA for an annual rent of $390 during the initial seven year term of the lease, payable monthly and in advance. The lease will expire on the seventh anniversary of its commencement, or 2016, unless an option period is exercised by Summer USA. At the end of the initial term, Summer USA would have the opportunity to extend the lease for one additional period of five years. If Summer USA elected to extend the term of the lease for an additional five years, the annual rent for the first two years of the extension term would be equal to $429 and for the final three years of the extension term shall be equal to $468. In addition, during the first six months of the last lease year of the initial term of the lease, Summer USA had the option to repurchase the Headquarters for $4,457 (110% of the initial sale price). With the majority of the proceeds of the sale of the Headquarters Summer USA paid off the construction loan relating to the Headquarters. Mr. Macari had given a personal guarantee to secure the Faith Realty debt on its mortgage; therefore, due to his continuing involvement in the building transaction and the Company's option to repurchase the building, the transaction had been recorded as a financing lease, with no gain recognition.

On February 25, 2009, the Company's Board of Directors (with Mr. Macari abstaining from such action) approved the sale leaseback transaction. In connection therewith, the Board of Directors granted a potential waiver, to the extent necessary, if at all, of the conflict of interest provisions of the Company's Code of

Ethics, effective upon execution of definitive agreements within the parameters approved by the Board. In connection with granting such potential waiver, the Board of Directors engaged independent counsel to review the sale leaseback transaction and an independent appraiser to ascertain (i) the value of the Headquarters and (ii) the market rent for the Headquarters. In reaching its conclusion that the sale leaseback transaction is fair to the Company, the Board of Directors

Table of Contents

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. DEBT (Continued)

considered a number of factors, including Summer USA's ability to repurchase the headquarters at 110% of the initial sale price at the end of the initial term. The Company's Audit Committee approved the sale leaseback transaction (as a related party transaction) and the potential waiver and recommended the matter to a vote of the entire Board of Directors (which approved the transaction).

On May 13, 2015, Summer USA, a wholly-owned subsidiary of the Company, entered into an amendment (the "Amendment") to its lease dated March 24, 2009 (the "Lease") with Faith Realty II, LLC (the "Landlord"). Pursuant to the Amendment, (i) the initial term of the Lease was extended for two additional years, such that the initial term now ends on March 31, 2018, and the term of the Lease may be extended at Summer USA's election for one additional term of three years (rather than five years) upon twelve months' prior notice, (ii) the annual rent for the last two years of the newly amended initial term was set at $429 and the annual rent for the extension period, if elected, was set at $468 and (iii) the Landlord agreed to provide an aggregate improvement allowance of not more than $78 for the newly amended initial term, to be applied against Summer USA's monthly rent, and an additional improvement allowance of $234 for the extension term, if elected, to be applied against Summer USA's monthly rent during such extension term. The Amendment was reviewed and approved by the audit committee because it was a related party transaction.

At January 2, 2016, approximately $376 was included in accrued expenses, with the balance of approximately $2,635 included in other liabilities, in the accompanying consolidated balance sheet. This obligation is reduced each month (along with a charge to interest expense) as the rent payment is made to Faith Realty.

Approximate future minimum sale-leaseback payments due under the lease is as follows:

Fiscal Year Ending:		
2016	$	419
2017		429
2018		107
2019 and beyond		
Total	$	955

5. INCOME TAXES

The benefit for income taxes is summarized as follows:

		Fiscal 2015		**Fiscal 2014**
Current:				
Federal	$	(150)	$	205
Foreign		389		401

State and local		5		20
Total current		244		626
Deferred (primarily federal)		(3,668)		(1,153)
Total benefit	$	(3,424)	$	(527)

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INCOME TAXES (Continued)

The tax effects of temporary differences that comprise the deferred tax liabilities and assets are as follows:

	January 2, 2016	January 3, 2015
Assets (Liabilities)		
Deferred tax asset current:		
Accounts receivable	$ 7	$ 21
Inventory and Unicap reserve	689	1,035
Foreign tax credit carry-forward and other	103	138
Net deferred tax asset current	799	1,194
Deferred tax (liability) asset non-current:		
Research and development credit, foreign tax credit and net operating loss carry-forward	7,183	4,193
Intangible assets and other	(3,233)	(3,850)
Property, plant and equipment	(748)	(1,143)
Total deferred tax asset (liability)	3,202	(800)
Valuation allowance	(1,518)	(1,578)
Net deferred tax asset (liability) non-current:	1,684	(2,378)
Net deferred income tax asset (liability)	$ 2,483	$ (1,184)

The following reconciles the benefit for income taxes at the U.S. federal income tax statutory rate to the benefit in the consolidated financial statements:

	Fiscal 2015	Fiscal 2014
Tax benefit at statutory rate	$ (4,093)	$ (262)
State income taxes, net of U.S. federal income tax benefit	(298)	(76)
Adjustment to uncertain tax position	327	
Stock options	92	213
Valuation allowance of state R&D credits		(23)
Foreign tax rate differential	289	(249)
Tax credits	(150)	(173)
Non-deductible expenses	438	25
Other	(29)	18
Total benefit	$ (3,424)	$ (527)

The Company had undistributed earnings from certain foreign subsidiaries (Summer Infant Asia, Summer Infant Australia, and Born Free Holdings, Ltd) of approximately $12,784 at January 2, 2016, and all of these earnings are considered to be permanently reinvested due to the Company's plans to reinvest such earnings for future expansion in certain foreign jurisdictions. Earnings and profits from Summer Infant Europe and Summer Infant Canada are not considered to be permanently reinvested due to the bank refinancing as discussed in Note 4 Debt. The amount of taxes attributable to the permanently reinvested undistributed earnings is not practicably determinable.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INCOME TAXES (Continued)

As of January 2, 2016, the Company has approximately $6,000 of federal and state net operating loss carry forwards (or "NOLs") to offset future federal taxable income. The federal NOL will begin to expire in 2028 and the state NOL will begin to expire in 2016. The Company also has approximately $1,725, $431, and $37 of NOLs in Canada, Australia, and the United Kingdom, which can be carried forward indefinitely.

Authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported, if based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all evidence, including the Company's past earnings history and future earnings forecast, management has determined that a valuation allowance in the amount of $1,518 relating to certain state tax credits is necessary at January 2, 2016.

A summary of the Company's adjustment to its uncertain tax positions in fiscal years ended January 2, 2016 and January 3, 2015 are as follows:

	January 2, 2016	January 3, 2015
Balance, at beginning of the year	$	$
Increase for tax positions related to the current year		
Increase for tax positions related to prior years	283	
Increase for interest and penalties	44	
Decrease for lapses of statute of limitations		
Balance, at end of year	$ 327	$

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INCOME TAXES (Continued)

The unrecognized tax benefits mentioned above include an aggregate of $44 of accrued interest and penalty balances related to uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. An increase in accrued interest and penalty charges of approximately $44, net of federal tax expense, was recorded as a tax expense during the current fiscal year. The Company does not anticipate that its accrual for uncertain tax positions will be reduced by a material amount over the next twelve month period, as it does not expect to settle any potential disputed items with the appropriate taxing authorities nor does it expect the statute of limitations to expire for any items.

The Company is subject to U.S. federal income tax, as well as to income tax of multiple state and foreign tax jurisdictions. On a global basis, the open tax years subject to examination by major taxing jurisdictions in which the Company operates is between two to six years.

6. SHARE BASED COMPENSATION

The Company is authorized to issue up to 3,000,000 shares for equity awards under the Company's 2006 Performance Equity Plan ("2006 Plan") and 1,700,000 shares for equity awards under the Company's 2012 Incentive Compensation Plan (as amended, "2012 Plan"). The Company's stockholders approved an increase in the number of shares available under the 2012 Plan from 1,100,000 to 1,700,000 shares on August 4, 2015. Periodically, the company also provides equity awards outside of the plans.

Under the 2006 Plan and 2012 Plan, awards may be granted to participants in the form of non-qualified stock options, incentive stock options, restricted stock, deferred stock, restricted stock units and other stock-based awards. Subject to the provisions of the Plans, awards may be granted to employees, officers, directors, advisors and consultants who are deemed to have rendered or are able to render significant services to the Company or its subsidiaries and who are deemed to have contributed or to have the potential to contribute to the Company's success. The Company accounts for options under the fair value recognition standard. The application of this standard resulted in share-based compensation expense for the twelve months ended January 2, 2016 and January 3, 2015 of $865 and $1,220, respectively. Share based compensation expense is included in selling, general and administrative expenses.

Stock Options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the table below. The Company uses the simplified method to estimate the expected term of the options for grants of "plain vanilla" stock options as prescribed by the Securities and Exchange Commission. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Share- based compensation expense recognized in the consolidated financial statements in fiscal 2015 and 2014 is based on awards that are ultimately expected to vest.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. SHARE BASED COMPENSATION (Continued)

The following table summarizes the weighted average assumptions used for options granted during the fiscal years ended January 2, 2016 and January 3, 2015.

	Fiscal 2015	Fiscal 2014
Expected life (in years)	5.3	4.9
Risk-free interest rate	1.6%	1.7%
Volatility	67.4%	63.0%
Dividend yield	0.0%	0.0%
Forfeiture rate	16.5%	13.1%

The weighted-average grant date fair value of options granted during the year ended January 2, 2016 was $1.58 per share which totaled $767 for the 485,750 options granted during such period. During the year ended January 3, 2015, the weighted-average grant date fair value of options granted was $1.21 per share which totaled $803 for the 664,000 options granted during the year.

A summary of the status of the Company's options as of January 2, 2016 and changes during the year then ended is presented below:

	Number Of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,729,365	$ 3.30
Granted	485,750	$ 2.72
Exercised	(25,000)	$ 1.85
Canceled	(887,902)	$ 2.80
Outstanding at end of year	1,302,213	$ 3.45
Options exercisable at January 2, 2016	774,598	$ 3.95

Outstanding stock options expected to vest as of January 2, 2016 is 1,199,853. The intrinsic value of options exercised totaled $27 and $6 for the fiscal years ended January 2, 2016 and January 3, 2015, respectively.

The following table summarizes information about stock options at January 2, 2016:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Remaining Contractual Life	Weighted Average Exercise Price
$1.80 - $2.00	111,500	8.4	$ 1.83	29,250	8.3	$ 1.83
$2.01 - $3.00	645,000	7.8	$ 2.53	301,940	6.2	$ 2.32
$3.01 - $4.00	162,750	7.9	$ 3.33	69,500	7.7	$ 3.35
$4.01 - $6.00	330,413	2.6	$ 5.30	321,358	2.5	$ 5.29

$6.01 - $8.00	52,550	5.0	$	7.06	52,550	5.0	$	7.06
	1,302,213	6.4	$	3.45	774,598	4.8	$	3.95

F-21

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. SHARE BASED COMPENSATION (Continued)

The aggregate intrinsic value of options outstanding and exercisable at January 2, 2016 and January 3, 2015 are $36 and $886, respectively. As of January 2, 2016, there was approximately $544 of unrecognized compensation cost related to non-vested stock option awards, which is expected to be recognized over a remaining weighted-average vesting period of 2.4 years.

Restricted Stock Awards

Restricted stock awards require no payment from the grantee. The related compensation cost of each award is calculated using the market price on the grant date and is expensed equally over the vesting period. A summary of restricted stock awards made in the year ended January 2, 2016, is as follows:

	Number of Shares	Grant Date Fair Value
Non-Vested restricted stock awards as of January 3, 2015	242,249	$ 3.22
Granted	216,135	2.52
Vested	(198,473)	3.00
Forfeited	(84,067)	3.03
Non-Vested restricted stock awards as of January 2, 2016	175,844	$ 2.70

As of January 2, 2016, there was approximately $274 of unrecognized compensation cost related to non-vested stock compensation arrangements granted under the Company's stock incentive plan for restricted stock awards. That cost is expected to be recognized over the next 2.5 years.

As of January 2, 2016, there are 635,078 shares available to grant under the 2006 Plan and 1,020,125 shares available to grant under the 2012 Plan.

Restricted Stock Units

In December 2015, the Company's Board of Directors granted restricted stock units to the executive Chairman of the Board (the "RSUs"). The RSUs represent the right to receive shares of the Company's common stock upon achievement of specified stock price performance metrics, and only vest if such market-based performance metrics are achieved. The RSUs expire on the date of the Company's Issuer's 2017 annual stockholder meeting. The amount of shares that ultimately vest may range from 0 shares to 194,209. The fair value of the restricted stock units was determined by utilizing a Monte Carlo simulation model, which projects the value of the Company's stock versus the peer group under numerous scenarios and determines the value of the award based upon the present value of these projected outcomes. None of the RSUs had vested as of January 2, 2016.

As of January 2, 2016, there was $53 of recognized compensation cost and $175 of unrecognized compensation cost related to the RSUs. Expected cost is recognized over a weighted-average period of approximately 1 year.

7. CAPITAL LEASE OBLIGATIONS

The Company leases certain equipment under capital leases which expire over the next two years.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. CAPITAL LEASE OBLIGATIONS (Continued)

The leases require monthly payments of principal and interest, imputed at interest rates ranging from 3% to 6% per annum.

The capital lease liability balance of approximately $71 and $211 is included in debt on the consolidated balance sheets as of January 2, 2016 and January 3, 2015, respectively, of which approximately $2 and $70 is included in long-term liabilities as of January 2, 2016 and January 3, 2015, respectively, and the balance is in current portion of long-term debt. The minimum future lease payments, including principal and interest, are approximately $72 and $219, respectively.

Future Minimum Lease Payments by Fiscal Year

	Total	2016	2017	2018 & Beyond
Capital Lease Payments	$ 72	$ 70	$ 2	$
Interest	(1)	(1)	(0)	
Principal	$ 71	$ 69	$ 2	$

8. PROFIT SHARING PLAN

Summer Infant (USA), Inc. maintains a defined contribution salary deferral plan under Section 401(k) of the Internal Revenue Code. All employees who meet the plan's eligibility requirements can participate. Employees may elect to make contributions up to federal limitations. In 2007, the Company adopted a matching plan which was further amended in 2013, and which was funded throughout the year. For the years ended January 2, 2016 and January 3, 2015, the Company recorded 401(k) matching expense of $366 and $216, respectively.

9. MAJOR CUSTOMERS

Sales to the Company's top seven customers together comprised more than 73% of our sales in fiscal 2015 and 74% of our sales in fiscal 2014. These customers include Babies R Us/Toys R Us, Wal-Mart, Amazon, Target, Buy Buy Baby, K-Mart, and Burlington Coat Factory. Of these customers, four generated more than 10% of sales for fiscal 2015: Babies R Us/Toys R Us (23%), Walmart (14%), Amazon.com (14%) and Target (12%). In fiscal 2014, four customers generated more than 10% of sales: Babies R Us/Toys R Us (27%), Walmart (14%), Amazon (11%) and Target (11%).

10. COMMITMENTS AND CONTINGENCIES

Royalty Commitments

Summer Infant (USA), Inc. has entered into various license agreements with third parties for the use of product designs, software licenses, and trade names for the products manufactured by the Company. These agreements have termination dates through December 2017. Royalty expense under these licensing agreements for the years ended January 2, 2016 and January 3, 2015 were approximately $735 and $915, respectively.

F-23

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

Customer Agreements

The Company enters into annual agreements with its customers in the normal course of business. These agreements define the terms of product sales including, in some instances, cooperative advertising costs and product return privileges (for defective products only) or defective allowances (which are based upon historical experience). These contracts are generally annual in nature and obligate the Company only as to products actually sold to the customer.

Lease Commitments

For lease agreements with escalation clauses, the Company records the total rent to be paid under the lease on a straight-line basis over the term of the lease, with the difference between the expense recognized and the cash paid recorded as a deferred rent liability included in accrued expenses on the balance sheet for amounts to be recognized within twelve months and in other liabilities for amounts to be recognized after twelve months from the balance sheet date, in the consolidated balance sheets. Lease incentives are recorded as deferred rent at the beginning of the lease term and recognized as a reduction of rent expense over the term of the lease.

Summer Infant Europe Limited leases office space under a non-cancelable operating lease agreement. This lease is for a five-year term through April 2017, and requires monthly payments of approximately $6. In addition, Summer Infant Europe Limited is required to pay its proportionate share of property taxes.

Summer Infant Canada, Ltd. entered into a five-year lease for office and warehouse space under a non-cancelable operating lease agreement expiring June 2018. The Company is obligated as part of the lease to pay maintenance expenses as well as property taxes and insurance costs as defined in the agreement. Monthly payments are approximately $27 over the course of the lease term. Summer Infant Canada, Ltd. has the option to renew this lease for one additional period of five years under similar terms and conditions.

Summer Infant (USA) Inc. entered into a 72 month lease in September 2010 for warehouse space under a non-cancelable operating lease agreement. The Company is obligated to pay certain common area maintenance charges including insurance and utilities. The lease was extended in 2015 and now expires in September 2021. Monthly payments of $166 in fiscal 2016 escalate to $186 over the remaining life of the lease.

During November 2015, Summer Infant Asia entered into a two year office lease which requires monthly payments of $10 through 2017.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

Approximate future minimum rental payments due under these leases are as follows(a):

Fiscal Year Ending:		
2016	$	1,936
2017		2,293
2018		2,198
2019		2,122
2020 and beyond		3,861
Total	$	12,410

(a) Amounts exclude payments for sales-leaseback transaction as described in Note 4.

Rent expense (excluding taxes, fees and other charges) for the years ended January 2, 2016 and January 3, 2015 totaled approximately $1,906 and $1,902, respectively.

Employment Contracts

In accordance with United Kingdom and EU law, Summer Infant Europe Limited is required to have employment contracts with all of its employees. In connection with these contracts, Summer Infant Europe Limited makes individual pension contributions to certain employees at varying rates from 3-7% of the employee's annual salary, as part of their total compensation package. These pension contributions are expensed as incurred. There are no termination benefit provisions in these contracts.

Litigation

The Company is a party to routine litigation and administrative complaints incidental to its business. The Company does not believe that the resolution of any or all of such routine litigation and administrative complaints is likely to have a material adverse effect on the Company's financial condition or results of operations, except as noted below.

On May 27, 2015, the Company filed a Complaint against Carol E. Bramson, Annamaria Dooley, Kenneth N. Price, Carson J. Darling, Dulcie M. Madden, and Bruce Work in the United States District Court for the District of Rhode Island (Civil Action No. 1:15-CV-00218-5-LDA) (the "Complaint"). The Complaint alleges theft and misappropriation of the Company's confidential and proprietary trade secrets, intellectual property, and business, branding and marketing strategies. Ms. Bramson is a former member of the Company's Board of Directors and the

Company's former Chief Executive Officer, Ms. Dooley is the Company's former Senior Vice President of Product Development, and Mr. Price is the former President of Global Sales & Marketing of the Company. Mr. Darling and Ms. Madden are principals of Rest Devices, Inc., a former consultant to the Company (the "Rest Defendants"). The Complaint alleges violation of trade secrets, misappropriation of confidential information, breaches of fiduciary duties by Mmes. Bramson and Dooley and Mr. Price, conversion, breaches of contract by Mmes. Bramson and Dooley and Mr. Price, tortious interference with employment agreements, consulting agreements, and prospective business relations, unjust enrichment and other related claims, and seeks injunctive relief, return of the Company's confidential and proprietary information, as well as other relief including compensatory damages.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

On August 25, 2015, the Company and the Rest Defendants reached an agreement-in-principle with regard to a proposed settlement, and the Company subsequently withdrew its motion for a preliminary injunction. On November 1, 2015, the Company and the Rest Defendants entered into a confidential settlement agreement (the "Settlement Agreement") pursuant to which the Company and the Rest Defendants mutually released claims against each other, and the Company voluntarily dismissed all claims in the Complaint against the Rest Defendants. The Settlement Agreement did not release any claims against Mmes. Bramson or Dooley or Mr. Price.

With respect to the remaining defendants, on July 3, 2015, Mr. Price filed a motion to dismiss the claims against him set forth in the Complaint, and on February 10, 2016 the Court denied Mr. Price's motion to dismiss. On July 3, 2015, Mmes. Bramson and Dooley filed an answer to the Complaint, and asserted counterclaims against the Company, including (i) a claim by Ms. Bramson for contractual indemnification and (ii) claims by Mmes. Bramson and Dooley for indemnification under the Company's bylaws, tortious interference with prospective business relations, unfair and deceptive trade practices and abuse of process. The Company filed a motion to dismiss certain counterclaims made by Mmes. Bramson and Dooley on July 27, 2015. On February 10, 2016, the Court granted in part and denied in part the Company's motion to dismiss certain counterclaims, and dismissed with prejudice Mmes. Bramson and Dooley's counterclaim for abuse of process. On February 19, 2016, Ms. Dooley filed a motion to amend her counterclaims and bring a third-party complaint against Dan Almagor, executive Chairman of the Board. Ms. Dooley amended her counterclaims to allege violations of 18 U.S.C. Section 2701, the Stored Communications Act, invasion of privacy, violation the Rhode Island's Computer Crime Statute and infliction of emotional distress by the Company and Mr. Almagor. The Company has not yet responded to Ms. Dooley's motion. On February 23, 2016, Mr. Price filed a motion to file answer and counterclaim, responding to the Complaint and alleging counterclaims, including breach of contract, breach of the duty of good faith and fair dealing, violations of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and indemnification under the Company's bylaws. The Company has not yet responded to Mr. Price's motion.

In August 2015, the Court granted Ms. Bramson's motion for advancement of certain indemnification expenses. Subsequently, the Company declined to pay some of these expenses on the ground that they were beyond the scope of the indemnification agreement and inconsistent with the Court's initial order. In February 2016, the Court granted Ms. Bramson's motion for advancement in part, and denied it in part, on the ground that some, but not all of the expenses sought were within the scope of the indemnification agreement.

The Company and the remaining defendants are currently in discovery, and no trial date has been set. The Company has incurred significant expenses related to this lawsuit to date and may continue to incur expenses related to this lawsuit. The Company cannot predict the outcome of this lawsuit or for how long it will remain active.

11. GEOGRAPHICAL INFORMATION

The Company sells products throughout the United States, Canada, and the United Kingdom, and various other parts of the world. The Company does not disclose product line revenues as it is not practicable for the Company to do so.

SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. GEOGRAPHICAL INFORMATION (Continued)

The following is a table that presents net revenue by geographic area:

	For the fiscal year ended January 2, 2016	For the fiscal year ended January 3, 2015
United States	$ 171,310	$ 170,375
All Other	34,494	34,984
	$ 205,804	$ 205,359

The following is a table that presents total assets by geographic area:

	January 2, 2016	January 3, 2015
United States	$ 92,379	$ 100,302
All Other	22,248	22,165
	$ 114,627	$ 122,467

The following is a table that presents total long lived assets by geographic area:

	January 2, 2016	January 3, 2015
United States	$ 23,908	$ 27,180
All Other	8,196	7,944
	$ 32,104	$ 35,124

12. SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after January 2, 2016 through the date of this Annual Report. No subsequent event disclosures are required.

Table of Contents

Index to Exhibits

Exhibit No.	Description
2.1	Agreement and Plans of Reorganization, dated as of September 1, 2006, by and among KBL Healthcare Acquisition Corp. II, and its wholly owned subsidiary, SII Acquisition Inc., and Summer Infant, Inc., Summer Infant Europe Limited, Summer Infant Asia, Ltd. and their respective stockholders (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 5, 2006, SEC File No. 000- 51228)
2.2	Purchase and Sale Agreement, dated March 24, 2009, between Summer Infant (USA), Inc. and Faith Realty II, LLC (Incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q/A filed on August 18, 2009, SEC File No. 001-33346)
2.3	Lease Agreement, dated March 24, 2009, between Summer Infant (USA), Inc. and Faith Realty II, LLC (Incorporated by reference to Exhibit 2.2 to the Registrant's Quarterly Report on Form 10-Q/A filed on August 18, 2009, SEC File No. 001-33346)
2.4	Agreement and Plan of Merger, dated as of April 18, 2008, by and among Summer Infant (USA), Inc., Kiddo Acquisition Co. Inc., and Kiddopotamus & Company and certain of its stockholders (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 24, 2008, SEC File No. 001-33346)
2.5	Stock Purchase Agreement, dated as of March 24, 2011, by and among the Registrant, Summer Infant (USA), Inc., Born Free Holdings Ltd., and each stockholder of Born Free Holdings Ltd. (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on March 28, 2011)
3.1	Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-A filed on March 6, 2007, SEC File No. 001-33346)
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 7, 2010)
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2014)
3.4	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K filed on March 13, 2013)
4.1	Specimen Common Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A filed on March 6,

	2007, SEC File No. 001-33346)
10.1	Registration Rights Agreement by and among the Registrant, Jason Macari and Steven Gibree (Incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed on September 5, 2006, SEC File No. 000-51228)
10.2*	2006 Performance Equity Plan (Incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 29, 2008, SEC File No. 001-33346)
10.3	Loan and Security Agreement, dated as of February 28, 2013, among the Registrant, Summer Infant (USA), Inc., the Guarantors from time to time a party thereto, the financial institutions part thereto from time to time as Lenders, Bank of America, N.A., as Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Book Runner (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 4, 2013)

Table of Contents

Exhibit No.	Description
10.4	Amendment No. 1 to Loan and Security Agreement, dated April 10, 2013, among the Registrant and Summer Infant (USA), Inc. as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, and Bank of America, N.A., in its capacity as Lender and as Agent (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2013)
10.5	Amendment No. 2 to Loan and Security Agreement, dated November 8, 2013, among the Registrant and Summer Infant (USA), Inc., as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, the Lenders party to the Loan and Security Agreement, and Bank of America, N.A., in its capacity as Agent (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2013)
10.6	Amendment No. 3 and Waiver to Loan and Security Agreement, dated December 12, 2014, among the Registrant and Summer Infant (USA), Inc., as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, the Lenders party to the Loan and Security Agreement, and Bank of America, N.A., in its capacity as Agent (Incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed on March 4, 2015)
10.7	Term Loan Agreement, dated as of February 28, 2013, among Summer Infant (USA), Inc., as lead borrower, the Registrant, the Guarantors named therein, Salus Capital Partners, LLC, as Administrative Agent and Collateral Agent, and the other Lenders party thereto (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 4, 2013)
10.8	Amendment No. 1 to Term Loan Agreement, dated November 8, 2013, among the Registrant and Summer Infant (USA), as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, the Lenders party of the Term Loan Agreement and Salus Capital Partners, LLC, as Agent (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2013)
10.9	Amendment No. 2 to Term Loan Agreement, dated December 31, 2014, among the Registrant and Summer Infant (USA), as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, the Lenders party of the Term Loan Agreement and Salus Capital Partners, LLC, as Agent (Incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed on March 4, 2015)
10.10	Amendment No. 3 to Term Loan Agreement, dated February 26, 2015, among the Registrant and Summer Infant (USA), as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, the Lenders part of the Term Loan Agreement and Salus Capital Partners, LLC,

	as Agent (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on May 7, 2015)
10.11	Security Agreement, dated as of February 28, 2013, among Summer Infant, (USA), Inc., as lead borrower, the Registrant, the Guarantors named therein, and Salus Capital Partners, LLC, as Agent (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on March 4, 2013)
10.12	Amended and Restated Loan and Security Agreement, dated as of April 21, 2015, among Summer Infant, Inc. and Summer Infant (USA), Inc. as Borrowers, the Guarantors from time to time party thereto, Certain Financial Institutions as Lenders, Bank of America, N.A. as Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Book Runner (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 22, 2015)

Table of Contents

Exhibit No.	Description
10.13	Amendment to Amended and Restated Loan and Security Agreement, dated as of December 10, 2015, among Summer Infant, Inc. and Summer Infant (USA), Inc., as Borrowers, Summer Infant Canada, Limited and Summer Infant Europe Limited, as Guarantors, Certain Financial Institutions as Lenders and Bank of America, N.A. as Agent (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 14, 2015)
10.14*	2012 Incentive Compensation Plan, as amended (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 5, 2015)
10.15*	Form of Change of Control Agreement with Chief Financial Officer, Chief Operating Officer and other key employees (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on December 14, 2015)
10.16*	Separation Agreement and Release, dated as of January 15, 2014, by and between the Registrant and Jason Macari (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2014)
10.17*	Employment Agreement, dated as of January 16, 2014, by and between Summer Infant, Inc. and Carol E. Bramson (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 17, 2014)
10.18*	Summer Infant, Inc. Form of Indemnification Agreement (for officers and directors) (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on January 17, 2014)
10.19*	Offer Letter and Change of Control Agreement by and between the Registrant and Kenneth Price (Incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K filed on March 11, 2014)
10.20*	Separation Agreement and General Release, dated as of October 23, 2014, by and among the Registrant, Summer Infant (USA), Inc. and David Hemendinger (Incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed on March 4, 2015)
10.21*	Separation Agreement and General Release, dated as of November 6, 2014, by and among the Registrant, Summer Infant (USA), Inc. and Paul Francese (Incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed on March 4, 2015)
10.22*	Offer Letter and Change of Control Agreement by and between the Registrant and William E. Mote (Incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K filed on March 4, 2015)
10.23*	Offer Letter and Change of Control Agreement by and between

	the Registrant and Robert Stebenne (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on May 7, 2015)
10.24	Amendment to Lease, dated May 13, 2015, by and between Faith Realty II, LLC and Summer Infant (USA), Inc. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2015)
21.1	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K filed on March 13, 2013)
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*
Management contract or compensatory plan or arrangement.