

SUMMER INFANT, INC.

FORM 10-K (Annual Report)

Filed 03/11/14 for the Period Ending 12/31/13

Address	1275 PARK EAST DRIVE WOONSOCKET, RI 02895
Telephone	401-334-9966
CIK	0001314772
Symbol	SUMR
SIC Code	3990 - Miscellaneous Manufacturing Industries
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	01/03

Use these links to rapidly review the document
[TABLE OF CONTENTS](#)
[Summer Infant, Inc. And Subsidiaries Index to Financial Statements](#)

[Table of Contents](#)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

or

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

For the transition period from _____ to _____

Commission File No. 001-33346

SUMMER INFANT, INC.

Delaware
(State or other jurisdiction of
incorporation)

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

1275 Park East Drive, Woonsocket, Rhode Island

02895
(Zip Code)

(Address of Principal Executive Offices)

(401) 671-6550
(Registrant's Telephone Number, Including Area Code)

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

Title of each class
Common Stock, Par Value \$.0001

Name of Exchange on which registered
Nasdaq Capital Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 "accelerated filer," "large 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

(Do not check if a
smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based on the closing price of the registrant's Common Stock as reported on the Nasdaq Capital Market on June 28, 2013, was \$33.6 million. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

The number of shares issued and outstanding of the registrant's common stock as of March 5, 2014 was 18,257,924 (excluding unvested restricted shares that have been issued to employees).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

**INDEX TO FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	<u>PAGE</u>
PART I	
ITEM 1. Business	1
ITEM 1A. Risk Factors	5
ITEM 1B. Unresolved Staff Comments	11
ITEM 2. Properties	11
ITEM 3. Legal Proceedings	11
ITEM 4. Mine Safety Disclosures	11
PART II	
ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
ITEM 6. Selected Financial Data	12
ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk	25
ITEM 8. Financial Statements and Supplementary Data	25
ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	25
ITEM 9A. Controls and Procedures	25
ITEM 9B. Other Information	26
PART III	
ITEM 10. Directors, Executive Officers and Corporate Governance	27
ITEM 11. Executive Compensation	27
ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	27
ITEM 13. Certain Relationships and Related Transactions, and Director Independence	27
ITEM 14. Principal Accountant Fees and Services	27
PART IV	
ITEM 15. Exhibits and Financial Statement Schedules	28
SIGNATURES	29

PART I

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

Item 1. Business

General

Founded in 1985 and publicly traded on the Nasdaq Stock Market since 2007 under the symbol "SUMR," we are a global designer, marketer, and distributor of branded juvenile health, safety and wellness products (for ages 0-3 years) that are sold principally to large North American and European retailers.

We currently market our products in the monitoring, health and safety, nursery, baby gear, feeding, and furniture product categories. Most of our products are sold under our core brand names of Summer® and Born Free®. We also market certain products under license agreements.

Our products are sold globally primarily to large, national retailers as well as independent retailers. In North America, our customers include Babies R Us, Wal-Mart, Target, Amazon.com, Buy Buy Baby, Burlington Coat Factory, Kmart, Home Depot, and Lowe's. Our largest European-based customers are Mothercare, Toys R Us, Argos and Tesco. We also sell through international distributors, representatives, and to select international retail customers in geographic locations where we do not have a direct sales presence.

The juvenile products industry is estimated to be \$18 billion worldwide and consumer focus is on quality, safety, innovation, and style. Due to the halo effect of baby products in retail stores, there also is a strong retailer commitment to the juvenile category.

Our principal executive office is located at 1275 Park East Drive, Woonsocket, Rhode Island 02895. Our telephone number is 401-671-6550. Our internet address is www.summerinfant.com. We maintain sales, marketing and distribution offices in Canada, Australia and England, which services the United Kingdom and other parts of Europe. We maintain a product development, engineering and quality assurance office in Hong Kong.

Strategy

Historically, we have focused on growing sales through a combination of increased product penetration and store penetration, offering new products, adding new mass merchant retail customers and distribution channels, international expansion, and acquisitions. At the end of 2012, we began reviewing our business strategy and the profitability of our product lines.

While the refinement of our business strategy is ongoing, we have identified below four key areas of our strategy going forward:

- Superior Innovation—We continue to leverage our in-depth knowledge of our retail customers and end-user consumers to deliver high quality, innovative products to the marketplace. We also continue to focus on a "good, better, best" approach to price points to create products that appeal to different categories of end consumers and classes of trade. To the extent it is consistent with our strategy, we may acquire new products or expand existing product categories. For example, in 2013, we launched our new, 3D Lite™ stroller, acquired the Little Looster™ potty training step stool, and launched our new Baby Link™ WiFi series of video monitors. We believe our product development expertise differentiates us from other companies in this market.

- **Cultivating Relationships and Diversification**—We believe we have long-standing relationships and strong partnerships with our retail customers. We also have developed strong relationships with a group of suppliers that provide us with the flexibility needed to engineer our products in a cost-efficient manner and to respond quickly to customer demands. We will continue to focus on building on these existing relationships to increase our presence both in stores and online via an increased focus on e-commerce and to expand with our customers as they enter new geographic locations. We will also continue to work with a growing number of specialty retail operators that allow us to continue our pursuit of a "good, better, best" approach and with customers seeking differentiated products and support. We will also continue to expand our business internationally.
- **Building Brands**—Historically, we have marketed products under our own brands, under license agreements for other brands, and under private label agreements. Going forward, our focus will be on building our core brands of Summer®, SwaddleMe®, and Born Free®, particularly among first-time prenatal moms, through improved marketing, including through social media.
- **Executing Operational Excellence**—Our entire organization is focused on delivering operational efficiency and excellence, such as through SKU rationalization and utilization of a direct import program. By improving our analytic and forecasting capabilities, product development process, and management of working capital and costs, we expect continued improvement to internal processes that should, in turn, benefit our customers.

By renewing our focus on these core strengths as well as a focus on gross margins and a return on capital, we expect to drive future growth, improve profitability and to further develop and strengthen our relationships with our suppliers, retail customers and end-users of our products.

We believe that, based on our core strengths and strategic priorities, we are well-positioned to capitalize on positive market trends including that U.S. birth rates are predicted to increase over the next several years.

Products

We currently market more than 1,100 products in several product categories including monitoring, health and safety, nursery, baby gear, feeding products, and furniture. No single product sold generated more than 10% of sales for the year ended December 31, 2013. The majority of our products are sold under the Summer® and Born Free® brands.

Anchor products in our product categories include the following:

<u>Monitoring</u>	<u>Health & Safety</u>	<u>Nursery</u>	<u>Baby Gear</u>	<u>Feeding Products</u>	<u>Furniture</u>
Wi-Fi Internet Video Movement	Gates Bath Potties Boosters Super Seats	Swaddle Travel Accessories Safe Sleep Soothers	Strollers Bassinet High Chairs Travel Systems Playards	Bottles Drinking Cups Bibs & Placemats Electronics Pacifiers	Cribs Changing Tables Dressers

Product Development and Design

Product development drives innovation, a critical element of our strategy. We strive to produce proprietary products that offer distinctive benefits, are visually appealing, and provide convenience to the consumer. Our retail customers are strategically motivated to buy innovative products to provide differentiation from their competitors. We design the majority of our own products and our main

product development efforts are located at our Rhode Island headquarters. We also have development efforts in China and the United Kingdom. In addition to new product development, we continuously look for ways to improve upon existing products based on feedback from our customers and focus on the end-user experience, safety, and opportunities to improve our cost structure and pricing.

We engage in market research and test marketing to evaluate consumer reactions to our products. We also research customer buying trends and analyze information from retail stores, customer surveys, our sales force, focus groups, on-line surveys, industry experts, vendors, and our product development personnel. We continually analyze our products to determine whether they should be upgraded, modified, and/or discontinued.

In 2013, we launched our Baby Link™ WiFi Series, a fully-featured internet viewing system and will seek to expand this monitor series into new markets in 2014 including eldercare/caregiver monitoring as well as the pet and home surveillance markets. In 2014, we also plan to introduce many other new products including the Pop n' Play™ Portable Playard, and new 3D Lite™ strollers and Fuze™ Travel systems.

Suppliers and Manufacturing

Substantially all of our products are manufactured in Asia (primarily China) and Israel. We also use several manufacturers in the United States for certain injection molded products, including bath tubs, potty seats and booster seats, which together account for approximately 11% of our annual sales in 2013.

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

Transportation of Asia-made goods to our warehouses typically takes three to four weeks, depending on the location of the warehouse. We maintain our inventory at warehouses located in the United States, Canada, Australia, and the United Kingdom. Most of our customers pick up their goods at regional warehouses. We also use UPS and other common carriers to arrange shipments to customers (primarily smaller retailers and specialty stores) that request such arrangements. In 2012, we implemented a direct import program, in order to reduce costs and shipping time to certain customers.

Sales and Marketing

Our products are largely marketed and sold through our own direct global sales force, many of whom are industry experienced professionals. We have also established a strong network of independent manufacturers' representatives and distributors that provide sales and customer service support for the remaining portion of North American and international sales. E-commerce sales have continued to grow during recent years consistent with increased online shopping by consumers.

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

Marketing, promotion and consumer education are important parts of the juvenile products industry. Historically, a significant percentage of our promotional spending has been structured in coordination with our large retail partners. In 2013, we increased spending on awareness and outreach

programs to both our retail partners and our end-use consumers. In further support of this communication effort, we have also improved our website with added new functionality and capabilities.

In addition, we will continue to support the promotion and presence of Summer® branded products in the marketplace with our new showroom and planogram space at our Rhode Island headquarters, continued participation at select industry trade shows, trade and consumer advertising, as well as enhanced internet based promotional activities.

Customer service is a critical component of our marketing strategy. We maintain an internal customer service department that responds to customer inquiries, investigates and resolves issues and generally assists customers and consumers on a 24/7 basis.

Competition

The juvenile product industry has many participants, none of which have dominant market share, though certain companies may have disproportionate strength in certain product categories. We compete with a number of different companies, depending on the product category, and compete against no single company across all of our product categories. Our largest direct competitors are Dorel Industries (including Safety 1st and Cosco brands), Evenflo (Evenflo, Gerry, and Snugli brands), Kid Brands, Inc., Fisher-Price (part of Mattel, Inc.), The First Years (a subsidiary of Tomy Corporation) and Graco (a subsidiary of Newell Rubbermaid). In addition, we compete in several of our product lines with a number of private companies, such as KidCo, Inc. and Munchkin.

The primary methods of competition in the industry consist of product innovation, brand positioning, quality, price timely distribution, and other factors. Our competitive strengths include our ability to develop innovative new products, brand awareness, our relationships with major retailers, and the quality and pricing of our products.

Intellectual Property

We rely on a combination of patents, licenses and trade secrets to protect our intellectual property. Our patents currently in effect include various design features related to bedrails, safety gates, infant car seats, bouncers, and bathers, with several other patents under review by the USPTO. The patents expire at various times during the next 17 years. Our focus on continuous product improvement and innovation provides constant strength and renewal of our patent portfolio. We also have license agreements relating to the use of patented technology owned by third parties in certain of our products. In certain circumstances, if we do not believe we have appropriate expertise, we will partner with third parties to develop proprietary products.

Customers

Our top seven customers together comprised more than 78% of our sales in 2013 and 81% in 2012. These customers include Babies R Us/Toys R Us, Wal-Mart, Target, Amazon.com, Burlington Coat Factory, Buy Buy Baby, and K-Mart. Of these customers, three generated more than 10% of sales for fiscal 2013: Babies R Us/Toys R Us (31%), Walmart (19%) and Target (11%). In fiscal 2012, three customers generated more than 10% of sales: Babies R Us/Toys R Us (36%), Walmart (19%) and Target (10%).

We have no long-term contracts with these customers and because of the concentration of our business with these customers, our success depends heavily on our customers' willingness to purchase and provide shelf space for our products.

Seasonality

We do not see significant variations in seasonal demand for our products. Sales history has exhibited some higher volume at times associated with initial shipments of new products. These orders usually incorporate enough product inventory to fill each store plus additional amounts to be kept at the customer's distribution center. The timing of these initial shipments varies by customer depending on when they finalize store layouts for the upcoming year, and whether there are any mid-year product introductions.

Geographic Regions

North America accounted for approximately 92% and 93% of our total net sales in 2013 and 2012, respectively. Remaining sales were in the United Kingdom and all other geographies.

Regulatory Matters

We obtain all necessary regulatory agency approvals for each of our products. In the United States, these approvals may include, among others: Consumer Product Safety Commission ("CPSC"), the American Society of Test Methods ("ASTM"), the Juvenile Products Manufacturing Association ("JPMA"), the Federal Communications Commission ("FCC") and the Food and Drug Administration ("FDA"). We conduct our own internal testing, utilizing a "foreseeable use and abuse" testing method that is designed to subject each product to the "worst case scenario." Our products are also frequently tested by independent government certified labs.

Insurance

We carry product liability insurance that provides us with \$15,000 of liability coverage with a minimal deductible. We consult with our insurers to ascertain appropriate liability coverage for our product mix. We believe our current coverage is adequate for our existing business and will continue to evaluate our coverage in the future in line with our expanding sales and product breadth.

Employees

As of December 31, 2013, we had approximately 211 employees, 207 who were full time employees, and 112 of whom work in our headquarters in Rhode Island. Our employees are not covered by a collective bargaining agreement. We consider our employee relations to be good.

Available Information

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

Item 1A. Risk Factors

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

The concentration of our business with a base of retail customers that make no binding long-term commitments means that economic difficulties or changes in the purchasing policies of our major customers could have a significant impact on our business.

A small number of large, retail customers account for a majority of our sales. In fiscal 2013, Babies R Us/Toys R Us generated 31% of our total sales, two other customers accounted for more than 10% of our sales, and a total of seven customers accounted for more than 78% of our total sales. We have no long-term contracts with these customers and because of the significant concentration of our business with these customers, our success depends on our customers' willingness to continue to purchase and provide shelf space for our products. An adverse change in our relationship with any of our large customers could adversely affect our results of operations and financial condition.

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

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

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

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

Our ability to maintain and increase our current market share will depend upon our ability to anticipate changes in consumer preferences and satisfy these preferences, enhance existing products, develop and introduce new products and establish and grow distribution channels for these products, and ultimately achieve market acceptance of these products.

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

In developing new products and product lines, we have anticipated dates for the associated product introductions. When we state that we will introduce, or anticipate introducing, a particular product or product line at a certain time in the future those expectations are based on completing the associated development, implementation, marketing work, and manufacturing in accordance with our currently anticipated development schedule. There is no guarantee that we will be able to manufacture, source and ship new products in a timely manner and on a cost-effective basis to meet constantly changing customer demands. The risk is also heightened by the sophistication of certain products we are designing, in terms of combining digital and analog technologies, utilizing digital media to a greater degree, and providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process, significant increases in the planned cost of development, changes in

anticipated consumer demand for our products, and delays in the manufacturing process may cause the introduction date for products to be later than anticipated or, in some situations, may cause a product introduction to be discontinued.

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

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

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

To meet our working capital needs, we rely on our revolving credit facility for working capital. In 2013, we entered into a new credit agreement expiring in 2018, which provides for an \$80 million committed, asset-based revolving credit facility, and a \$15 million secured term loan. These agreements contain certain covenants that place limitations on or restrict a number of our activities, including our ability to:

- incur additional debt;
- create liens on our assets or make guarantees;
- make certain investments or loans;
- pay dividends; or
- dispose of or sell assets or enter into a merger or similar transaction.

In addition, these agreements contain financial covenants that were set at the time we entered into the agreements. Our performance and financial condition may not meet our original expectations, causing us to fail to meet such financial covenants. These restrictive covenants may limit our ability to engage in acts that may be in our best long-term interests. Non-compliance with the covenants in these agreements could result in us being unable to utilize borrowings under our revolving credit facility, a circumstance which potentially could occur when operating shortfalls would most require supplementary borrowings to enable us to continue to fund our operations. If we are unable to generate sufficient available cash flow to service our outstanding debt we would need to refinance such debt or face default. There is no guarantee that we would be able to refinance debt on favorable terms, or at all.

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

Any significant deviation in actual results from our expected results of operations, or in the timing of material expenditures from current estimates, any significant business or product acquisitions, or other significant unanticipated expenses could result in us not meeting our financial covenants under the terms of our credit facility and term loan. In such circumstances, our lenders could declare a default, which would have a material adverse effect on our financial condition and results of operations. If access to our credit facility is limited or terminated, our liquidity would be constrained, affecting our operations and growth prospects, and we would need to seek additional equity or debt financing. There is no assurance that such financing would be available on acceptable terms or at all. Furthermore, any equity financing may result in dilution to existing stockholders and any debt financing may include restrictive covenants that could impede our ability to effectively operate and grow our business in the future.

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

Our success depends on the efforts of our senior management team and other key personnel. Although we believe that we have a strong management team, the loss of services of members of our senior management team, such as the recent departure of our Chief Executive Officer, whom have substantial experience in the infant and juvenile health, safety and wellness markets could have an adverse effect on our business.

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

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

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

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

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

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

Our international operations subject us to risks, including:

- economic and political instability,
- restrictive actions by foreign governments,
- greater difficulty enforcing intellectual property rights and weaker laws protecting intellectual property rights,
- changes in import duties or import or export restrictions,
- timely shipping of product and unloading of product through West Coast ports, as well as timely truck delivery to our warehouses,

- complications in complying with the laws and policies of the United States affecting the importation of goods, including duties, quotas, and taxes, and
- complications in complying with trade and foreign tax laws.

Any of these events or circumstances could disrupt the supply of our products or increase our expenses. Because of the importance of our international sourcing of manufacturing to our business, our financial condition and results of operations could be significantly harmed if any of the risks described above were to occur or if we are otherwise unsuccessful in managing our global operations.

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

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

Product liability, product recalls, and other claims relating to the use of our products could increase our costs.

Because we produce infant and juvenile health, safety and wellness consumer products, we face product liability risks relating to the use by consumers of our products. We also must comply with a variety of product safety and product testing regulations. In particular, our products are subject to the Consumer Product Safety Act, the Federal Hazardous Substances Act ("FHSA") and the Consumer Product Safety Improvement Act ("CPSIA"), which empower the Consumer Product Safety Commission (the "CPSC"), to take action against hazards presented by consumer products. With expanded authority under the CPSIA, the CPSC has and continues to adopt new regulations for safety and products testing that apply to our products. These new regulations have or likely will significantly increase the regulatory requirements governing the manufacture and sale of children's products and increase the potential penalties for noncompliance with applicable regulations. The CPSC has the authority to exclude from the market and recall certain consumer products that are found to be potentially hazardous. Consumer product safety laws also exist in some states and cities within the United States and in Canada and Europe, as well as certain other countries. If we fail to comply with these laws and regulations, or if we face product liability claims, we may be subject to damage awards or settlement costs that exceed any available insurance coverage and we may incur significant costs in complying with recall requirements. Furthermore, concerns about potential liability may lead us to recall voluntarily selected products. For instance in 2011, we undertook voluntary action to re-label our audio/video nursery monitors and recorded a charge in connection with the settlement of outstanding litigation related to our analog video nursery monitors. Complying with existing or any such additional regulations or requirements could impose increased costs on our business. Similarly, increased penalties for non-compliance could subject us to greater expense in the event any of our products were found to not comply with such regulations.

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

Our provision for income taxes is subject to volatility and could be adversely affected by nondeductible equity-based compensation, earnings being lower than anticipated in jurisdictions where we have lower statutory rates and being higher than anticipated in jurisdictions where we have higher statutory rates, transfer pricing adjustments, not meeting the terms and conditions of tax holidays or incentives, changes in the valuation of our deferred tax assets and liabilities, changes in actual results

versus our estimates, or changes in tax laws, regulations, accounting principles or interpretations thereof, and taxes relating to deemed dividends resulting from foreign guarantees made by certain of our foreign subsidiaries. In addition, like other companies, we may be subject to examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. While we regularly assess the likelihood of adverse outcomes from such examinations and the adequacy of our provision for income taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority will not have an adverse effect on our results of operations.

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

A portion of our assets are intangible, which are reviewed on an annual basis and whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of these assets exceeds the current fair value, the asset is considered impaired and is reduced to fair value, resulting in a non-cash charge to earnings during the period in which any impairment is determined. Events and conditions that could result in impairment include a sustained drop in the market price of our common stock, increased competition or loss of market share, product innovation or obsolescence, or a decline of our business related to acquired companies. In 2012, we recorded an aggregate non-cash impairment charge of \$69,796, consisting of a write down of goodwill of \$61,908 and a write down of a portion of intangible assets of \$7,888. We cannot accurately predict the amount and timing of any future impairment of assets.

We may experience difficulties in identifying suitable acquisition targets and integrating strategic acquisitions.

In the past, we have made strategic acquisitions and continue to pursue acquisitions that are consistent with our business strategy and enable us to leverage our competitive strengths. While we continue to evaluate potential acquisitions, we may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions or otherwise complete acquisitions in the future. An inability to identify future acquisitions could limit our future growth.

The integration of operations of any company we do acquire involves a number of risks, including unanticipated costs relating to the integration of acquired business, difficulties in achieving planned cost-savings and synergies and the diversion of management's attention to integration could impair their ability to effectively manage our business operations. In addition, any future acquisition may result in issuances of dilutive equity securities, which may be sold at a discount to market price, the incurrence of debt, unfavorable financing terms, large one-time expenses and the creation of intangible assets, including goodwill, the write-down of which may result in significant charges to earnings.

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are headquartered in a 52,000 square facility in Woonsocket, Rhode Island. We have a seven year lease on this facility expiring in 2016, with an option to extend for an additional five years. We also lease small offices in Arkansas, Canada, Israel, the United Kingdom and Hong Kong.

We maintain inventory at leased warehouses in California (approximately 442,000 square feet), Canada (approximately 61,000 square feet), Australia (third party warehouse) and the United Kingdom (approximately 16,000 square feet). These leases expire at various times between 2014 and 2018.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

See "Litigation" under Note 11. Commitments and Contingencies to our consolidated financial statements included in this report.

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*Price Range of Common Stock*

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

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

	<u>High</u>	<u>Low</u>
Fiscal Year Ended December 31, 2012		
First Quarter	\$ 7.21	\$ 4.57
Second Quarter	\$ 6.06	\$ 2.71
Third Quarter	\$ 3.31	\$ 1.71
Fourth Quarter	\$ 2.39	\$ 1.21
Fiscal Year Ended December 31, 2013		
First Quarter	\$ 2.79	\$ 1.67
Second Quarter	\$ 3.73	\$ 2.22
Third Quarter	\$ 3.60	\$ 2.66
Fourth Quarter	\$ 3.05	\$ 1.71

Holder of Common Stock

As of March 1, 2014, there were 40 holders of record of our common stock. Because shares of our common stock are held by depositaries, brokers and other nominees, the number of beneficial holders of our shares is substantially larger than the number of record holders.

Dividend Policy

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

Issuer Repurchases of Equity Securities

None.

Recent Sales of Unregistered Securities

Not applicable.

Item 6. Selected Consolidated Financial Data

Not required.

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

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

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

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

Company Overview

Founded in 1985 and publicly traded on the Nasdaq Stock Market since 2007 under the symbol "SUMR," we are a global designer, marketer, and distributor of branded juvenile health, safety and wellness products (for ages 0-3 years) that are sold principally to large North American and European retailers.

We currently market our products in the monitoring, health and safety, nursery, baby gear, feeding, and furniture product categories. Most of our products are sold under our core brand names of Summer® and Born Free®. We also market certain products under license agreements.

Our products are sold globally primarily to large, national retailers as well as independent retailers. In North America, our customers include Babies R Us, Wal-Mart, Target, Amazon.com, Buy Buy Baby, Burlington Coat Factory, Kmart, Home Depot, and Lowe's. Our largest European-based customers are Mothercare, Toys R Us, Argos and Tesco. We also sell through several international representatives to select international retail customers in geographic locations where we do not have a direct sales presence.

The juvenile products industry is estimated to be \$18 billion worldwide and consumer focus is on quality, safety, innovation, and style. Due to the halo effect of baby products in retail stores, there also is a strong retailer commitment to the juvenile category.

Strategy

Historically, we have focused on growing sales through a combination of increased product penetration and store penetration, offering new products, adding new mass merchant retail customers and distribution channels, international expansion, and acquisitions. At the end of 2012, we began reviewing our business strategy and the profitability of our product lines.

While the refinement of our business strategy is ongoing, we have identified below four key areas of our strategy going forward:

- **Superior Innovation**—We continue to leverage our in-depth knowledge of our retail customers and end-user consumers to deliver high quality, innovative products to the marketplace. We also continue to focus on a "good, better, best" approach to price points to create products that appeal to different categories of end consumers and classes of trade. To the extent it is consistent with our strategy, we may acquire new products or expand existing product categories. For example, in 2013, we launched our new, 3D Lite™ stroller, acquired the Little Looster™ potty training step stool, and launched our new Baby Link™ WiFi series of video monitors. We believe our product development expertise differentiates us from other companies in this market.
- **Cultivating Relationships and Diversification**—We believe we have long-standing relationships and strong partnerships with our retail customers. We also have developed strong relationships with a group of suppliers that provide us with the flexibility needed to engineer our products in a cost-efficient manner and to respond quickly to customer demands. We will continue to focus on building on these existing relationships to increase our presence both in stores and online via an increased focus on e-commerce and to expand with our customers as they enter new geographic locations. We will also continue to work with a growing number of specialty retail

operators that allow us to continue our pursuit of a "good, better, best" approach and with customers seeking differentiated products and support. We will also continue to expand our business internationally.

- **Building Brands**—Historically, we have marketed products under our own brands, under license agreements for other brands, and under private label agreements. Going forward, our focus will be on building our core brands of Summer®, SwaddleMe®, and Born Free®, particularly among first-time prenatal moms, through improved marketing, including through social media.
- **Executing Operational Excellence**—Our entire organization is focused on delivering operational efficiency and excellence, such as through SKU rationalization and utilization of a direct import program. By improving our analytic and forecasting capabilities, product development process, and management of working capital and costs, we expect continued improvement to internal processes that should, in turn, benefit our customers.

By renewing our focus on these core strengths, as well as a focus on gross margins and a return on capital, we expect to drive future growth, improve profitability and to further develop and strengthen our relationships with our suppliers, retail customers and end-users of our products.

We believe that, based on our core strengths and strategic priorities, we are well-positioned to capitalize on positive market trends including that U.S. birth rates are predicted to increase over the next several years after several years of low birth rates.

2013 Activities

Cost Reduction Initiatives

The Company implemented several cost reduction initiatives in the third quarter of 2012 designed to lower promotional costs and advertising expenses, reduce operating costs, and improve margins. These initiatives have resulted in tighter controls of retailer program costs, a reduction in worldwide headcount, a reduction in executive salaries, voluntary reduction in board of director compensation, cuts in overhead spending relating to discontinuing various outside services, and negotiated lower professional service fees. Additional headcount reductions were initiated in the first quarter of 2013. In November 2013, the Company initiated additional cost reduction actions, including global staff reductions, and reductions in temporary labor, professional fees and outside services which resulted in a fourth quarter of 2013 charge of \$614. We expect the actions taken in 2013 will result in additional annual cost savings of approximately \$4,000 beginning in 2014.

New Credit Facility and Term Loan

In February 2013, we entered into a new loan and security agreement (the "BofA Agreement") with Bank of America, N.A., as agent, the financial institutions party to the agreement from time to time as lenders. The BofA Agreement replaces our prior credit facility with Bank of America that was set to expire in December 2013.

The BofA Agreement provides for an \$80,000, asset-based revolving credit facility, with a \$10,000 letter of credit sub-line facility. The total borrowing capacity is based on a borrowing base, which is defined as 85% of eligible receivables plus the lesser of (i) 70% of the value of eligible inventory or (ii) 85% of the net orderly liquidation value of eligible inventory and less reserves. The scheduled maturity date of loans under the BofA Agreement is February 28, 2018 (subject to customary early termination provisions). All obligations under the BofA Agreement are secured by substantially all the assets of the Company, subject to the first priority lien on certain assets held by our term loan lender described below. Proceeds from the loans were used to satisfy existing debt, pay fees and transaction expenses associated with the closing of the BofA Agreement, pay obligations under the BofA Agreement, make payments on the term loan described below, and for lawful corporate purposes,

including working capital. As a result of our refinancing, interest expense attributable to our new credit facilities is lower on comparable debt levels than our prior loan agreement in the latter half of 2013.

In February 2013, we entered into a new term loan agreement (the "Term Loan Agreement") with Salus Capital Partners, LLC, as administrative agent and collateral agent, and each lender from time to time a party to the Term Loan Agreement providing for a \$15,000 term loan (the "Term Loan"). Proceeds from the Term Loan were used to repay certain existing debt, to finance the acquisition of working capital assets in the ordinary course of business and capital expenditures, and for general corporate purposes. The Term Loan is secured by certain assets of the Company, including a first priority lien on intellectual property, plant, property and equipment, and a pledge of 65% of the ownership interests in certain subsidiaries of the Company. The Term Loan matures on February 28, 2018.

As discussed in the Note 5 of the Notes to our Consolidated Financial Statements included in this report and in "Liquidity and Capital Resources" below, in November 2013, we entered into amendments to each of the BofA Agreement and the Term Loan Agreement that modified the financial covenants with which we are required to comply. As a result of these amendments, from and after September 30, 2013, we are no longer subject to a minimum, monthly EBITDA covenant, and our fixed charge coverage ratio is tested monthly on a trailing 12-month basis, and beginning with the period ending February 28, 2014, our senior leverage ratio will be tested monthly on a trailing 12-month basis.

Other Activities

In the first quarter of 2013, we announced that we were in the process of exiting our licensing arrangements with Disney® and Carters® and will focus on building our own Summer® and Born Free® branded products. As a result of these exit activities and the continued reduction in non-performing product SKUs, we generated lower license based sales and had a higher level of closeout and promotional sales at lower margins for the year ending December 31, 2013 that affected our gross profit and gross margins as compared to the year ending December 31, 2012.

On June 27, 2013, consistent with our strategy to provide innovative products to our customers, we acquired the assets of Little Looster, LLC, a designer and manufacturer of the award-winning Little Looster™ potty training step stool. Under the terms of the transaction, we acquired all intellectual property and tooling for manufacturing, for a purchase price of approximately \$100 in cash and an ongoing royalty agreement.

On September 13, 2013, we acquired the assets of Pink Magnolia, LLC, a designer and manufacturer of a nursing light product to assist breast feeding mothers known as the "Nighty Night Nursing Light." Under the terms of the transaction, we acquired all intellectual property and tooling for manufacturing for a purchase price of approximately \$12 in cash and an ongoing royalty agreement.

Recent Developments

In January 2014, we announced changes in our executive leadership team. Effective February 1, 2014, Carol Bramson, a member of our Board of Directors, was appointed Chief Executive Officer to replace Jason Macari, the Company's founder. Mr. Macari continues to serve on the Company's Board of Directors. In addition, we announced that Ken Price joined the Company as President of Global Sales & Marketing, reporting to the Chief Executive Officer, to oversee the sales and marketing of Summer Infant's product lines, manage the sales and marketing staff, and assist in the preparation of sales projections and operating budgets.

Outlook

Our business, financial condition and results of operations have and may continue to be affected by various economic factors. Although other factors will likely impact us, including some we do not foresee and those disclosed in Item 1A. Risk Factors in this Annual Report on Form 10-K for the year ended December 31, 2013, we believe our performance in 2014 will continue to be affected by the following:

- **Economic Climate.** Periods of global economic uncertainty, such as the recession experienced in 2008 and much of 2009, as well as recent market disruptions, can lead to reduced consumer and business spending. The current economic climate continues to affect our business in direct and indirect ways, including consumer demand for our products, tighter inventory management by retailers, reduced profit margins due to pricing pressures from mass merchant retailers and a sales mix favoring lower margin products. In addition, reduced access to credit has and may continue to adversely affect consumers who desire to purchase our products from retailers and the ability of our own customers to pay us.
- **Retail Market Conditions.** Our industry is very competitive, with increasing pressure from mass merchant retailers on pricing in reaction to perceived lack of consumer confidence. These customers continue to seek favorable pricing and increased promotional activity from us and we expect this trend will continue into 2014. We continue to seek to reduce pressure on gross margins through a variety of methods, including reducing manufacturing costs and locating lower-cost sources of supply. However, we may not be able to increase prices or decline requests for mark-downs and/or other allowances from some of our larger, retail customers due to market and competitive factors.

Summary of critical accounting policies and estimates

This 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, which is 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.

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 historical experience.

Sales incentives or other consideration given by us to customers that are considered adjustments of the selling price of its 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 the accompanying statements of income.

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.

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 around 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.

Impairment of 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 the Company to current operations.

Goodwill and Indefinite-Lived Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with accounting guidance that requires that goodwill and 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 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.

The Company tests goodwill for impairment using a two-step process. In the first step, the Company compares the fair value of its single reporting unit with its carrying amount including goodwill. If the fair value of the single reporting unit exceeds its carrying value, the goodwill is considered not impaired, thus rendering unnecessary the second step in impairment testing. If the fair value of the single reporting unit is less than the carrying value, a second step is performed in which the implied fair value of the reporting unit's goodwill is compared to the carrying value of the goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the single reporting unit and the net fair value of the identifiable assets and liabilities of the single reporting unit. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge.

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.

The Company recognized interest and penalties, if any, related to uncertain tax positions in interest expense. No interest and penalties related to uncertain tax positions were accrued at December 31, 2013. Our federal tax returns for 2009 were audited by the U.S. Internal Revenue Service in 2012. 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 the Company operates is between two to six years.

Results of Operations

The following table presents selected condensed consolidated financial information for Summer Infant, Inc. and its subsidiaries for the years ended December 31, 2013 and 2012.

	<u>Year ended December 31, 2013</u>		<u>Year Ended December 31, 2012</u>	
Net sales	\$ 208,173	100%	\$ 247,227	100.0%
Cost of goods sold	<u>143,166</u>	<u>68.8%</u>	<u>167,455</u>	<u>67.7%</u>
Gross profit	65,007	31.2%	79,772	32.3%
General and Administration expenses	38,022	18.2%	41,674	16.9%
Selling expenses	20,839	10.0%	29,009	11.7%
Impairment of goodwill and intangible assets	—	—	69,796	28.2%
Depreciation and amortization	6,280	3.0%	7,566	3.1%
Net loss from operations	(134)	(0.0)%	(68,273)	(27.6)%
Interest expense, net	(3,999)	1.9%	(4,148)	1.7%
Benefit for income taxes	(1,318)	0.5%	(6,768)	2.7%
Net loss	<u>\$ (2,815)</u>	<u>(1.4)%</u>	<u>\$ (65,653)</u>	<u>(26.6)%</u>

Year ended December 31, 2013 compared with year ended December 31, 2012

Net sales decreased 15.8% from \$247,227 in the year ended December 31, 2012 to \$208,173 for the year ended December 31, 2013. The decline was primarily attributable to exiting our licensing arrangements with Carters® and Disney® to focus on building our own Summer® and Born Free® branded products, a decline in monitor sales as a result of increased competition, and lower sales with a major retail customer. As a result, sales in most product categories were flat or declined with the exception of our safety category which increased in 2013. These declines were partially offset by growth in other customer accounts and growth in our core branded product offerings.

Cost of goods sold includes the cost of the finished product from suppliers, duties on certain imported items, freight-in from suppliers, and miscellaneous charges.

Gross profit decreased 18.5% from \$79,772 for the year ended December 31, 2012 to \$65,007 for the year ended December 31, 2013. Gross margin decreased from 32.3% for the year ended December 31, 2012 to 31.2% for the year ended December 31, 2013. The decline in gross profit dollars and gross margin percent is attributable to the decline in sales and the mix of products sold, as we had a higher amount of close-out and promotional sales in the 2013 period as a result of our product SKU rationalization and activities relating to the discontinuation of certain licensing agreements.

General and administrative expenses decreased 8.8% from \$41,674 for the year ended December 31, 2012 to \$38,022 for the year ended December 31, 2013. The decline in general and administrative expense dollars is attributable to cost reduction activities initiated in 2012 and the first quarter of 2013.

Selling expenses decreased 28.2% from \$29,009 for the year ended December 31, 2012 to \$20,839 for the year ended December 31, 2013. This decrease in dollars and as a percent of sales was primarily attributable to the decline in sales as well as lower royalty costs under licensing agreements as part of discontinuing certain licensing arrangements.

Due to the sustained decrease in our results of operations (below forecasts) and stock price during the third quarter of 2012, we undertook a goodwill and intangible asset impairment analysis and engaged a third party to assist management in valuing goodwill and other intangible assets recorded on our balance sheet in the third quarter of 2012. As a result, management determined that the estimated fair value of certain indefinite lived intangibles and implied fair value of our goodwill were lower than their respective carrying value, and the Company recorded an aggregate non-cash impairment charge of \$69,796 in 2012. The non-cash impairment charge consisted of a write down of goodwill of \$61,908 and a write down of a portion of intangible assets of \$7,888. These charges affected our financial condition and results of operations for 2012; however, they had no impact on our day-to-day operations or liquidity and did not result in any future cash expenditures. There was no such charge in 2013.

Depreciation and amortization decreased 17.0% from \$7,566 in the year ended December 31, 2012 to \$6,280 for the year ended December 31, 2013. The decrease in depreciation is attributable to a reduction in capital investment as a result of disciplined capital expenditure management partially offset by higher amortization on newly defined finite-lived intangible assets established in the fourth quarter of 2012.

Interest expense decreased 3.6% from \$4,148 in the year ended December 31, 2012 to \$3,999 for the year ended December 31, 2013. Interest expense decreased as a result of lower interest rates and lower debt balances on a year over year basis.

For the year ended December 31, 2013, we recorded a \$1,318 tax benefit on \$4,133 of pretax loss, resulting in a 31.9% tax rate for the year. For the year ended December 31, 2012, we recorded a \$6,768 benefit for income taxes on \$72,421 of pretax loss, resulting in a 9.3% tax rate for the year. The tax benefit in 2012 was primarily attributable to a \$6,000 benefit recorded related to the deferred tax adjustment resulting from the impairment of goodwill and intangible asset charge taken during the year.

Liquidity and Capital Resources

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

In our typical operational cash flow cycle, inventory is purchased in U.S. dollars to meet expected demand plus a safety stock. Because the majority of our suppliers are based in Asia, inventory takes from three to four weeks to arrive from Asia to 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 then acquire the tools and molds required to build and produce the products. In most cases, the payments for the tools are spread out over a three to four month period.

For the twelve months ended December 31, 2013, net cash provided by operating activities totaled \$19,061. For the twelve months ended December 31, 2012, net cash provided by operating activities totaled \$4,643. The change in net cash relating to operating activities in 2013 as compared to 2012 is largely attributable to improved working capital management in collections, vendor management, and inventory as well as the implementation of a direct import program over the past year.

For the twelve months ended December 31, 2013, net cash used in investing activities was approximately \$4,322. For the twelve months ended December 31, 2012, net cash used in investing activities was \$5,596. The decline in net cash used in investing activities was primarily attributable to improved capital investment management in 2013.

For the twelve months ended December 31, 2013, net cash used in financing activities was approximately \$15,787, reflecting a pay down of our credit facilities. For the twelve months ended December 31, 2012, net cash provided by financing activities was \$2,925, primarily borrowings to fund operations.

Based primarily on the above factors, net cash declined for the twelve month ending December 31, 2013 by \$1,559, resulting in a cash balance of approximately \$1,573 at December 31, 2013.

The following table summarizes our significant contractual commitments at December 31, 2013:

<u>Contractual Obligations</u>	<u>Payment Due by Period</u>				
	<u>Total</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 and beyond</u>
BofA Agreement	\$ 34,778	—	—	—	\$ 34,778
Term Loan	14,250	\$ 1,500	\$ 1,500	\$ 1,500	9,750
Estimated future interest payments on BofA Agreement	3,385	812	812	813	948
Estimated future interest payments on Term Loan	5,217	1,519	1,350	1,181	1,167
Operating leases	5,792	1,921	1,955	1,383	533
Capital leases and other liabilities	1,593	850	559	182	2
Total contractual cash obligations	\$ 65,015	\$ 6,602	\$ 6,176	\$ 5,059	\$ 47,178

Estimated future interest payments on our line of credit were based upon the interest rates in effect at December 31, 2013.

Credit Facilities

On February 28, 2013, the Company and its subsidiary, Summer Infant (USA), Inc., entered into a new loan and security agreement (as amended, the "BofA Agreement") with Bank of America, N.A., as agent, the financial institutions party to the agreement from time to time as lenders, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole book runner. The BofA Agreement replaced our prior credit facility with Bank of America. We also entered into a term loan with Salus Capital Partners, which is described below under "Term Loan."

BofA Agreement

The BofA Agreement provides for an \$80,000, asset-based revolving credit facility, with a \$10,000 letter of credit sub-line facility. The total borrowing capacity is based on a borrowing base, which is defined as 85% of eligible receivables plus the lesser of (i) 70% of the value of eligible inventory or (ii) 85% of the net orderly liquidation value of eligible inventory and less reserves. Total borrowing capacity under the BofA Agreement at December 31, 2013 was \$47,620 and borrowing availability was \$12,842.

The scheduled maturity date of loans under the BofA Agreement is February 28, 2018 (subject to customary early termination provisions). All obligations under the BofA Agreement are secured by substantially all the assets of the Company, subject to a first priority lien on certain assets held by the term-loan lender described below. In addition, Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the BofA Agreement. Proceeds from the loans were used to satisfy existing debt, pay fees and transaction expenses associated with the closing of the BofA Agreement, pay obligations under the BofA Agreement, and will be used to make payments on the Term Loan and for other general corporate purposes, including working capital.

Loans under the BofA Agreement bear interest, at our option, at a base rate or at LIBOR, plus applicable margins based on average quarterly availability under the BofA Agreement and ranging between 1.75% and 2.25% on LIBOR borrowings and 0.25% and 0.75% on base rate borrowings. Interest payments are due monthly, payable in arrears. We are also required to pay an annual non-use fee of 0.375% of the unused amounts under the BofA Agreement, as well as other customary fees as are set forth in the BofA Agreement. As of December 31, 2013 the base rate on loans was 3.75% and the LIBOR rate was 2.25%.

Under the BofA Agreement, we are required to comply with certain financial covenants. Prior to an amendment in November 2013 to the BofA Agreement described below, we were required (i) for the first year of the loan, to maintain and earn a specified minimum, monthly consolidated EBITDA amount, with such specified amounts increasing over the first year of the loan to a minimum consolidated EBITDA of \$12,000 at February 28, 2014, and (ii) beginning with the fiscal quarter ending March 31, 2014, to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of four fiscal quarters most recently ended. For purposes of the financial covenants, consolidated EBITDA is defined as net income before interest, taxes, depreciation and amortization, plus certain customary expenses, fees and non-cash charges and minus certain customary non-cash items increasing net income.

On November 8, 2013, we entered into an amendment (the "BofA Amendment") to the BofA Agreement. The BofA Amendment amended the financial covenants in the BofA Agreement to provide that (i) we are no longer required to comply with the minimum EBITDA covenants for any period ending after September 30, 2013 and (ii) we maintain a trailing 12-month fixed charge coverage ratio of at least 1.0 to 1.0, tested on a monthly basis, from and after September 30, 2013.

The BofA Agreement contains customary affirmative and negative covenants. Among other restrictions, we are restricted in our ability to incur additional debt, make acquisitions or investments,

dispose of assets, or make distributions unless in each case certain conditions are satisfied. The BofA Agreement also contains customary events of default, including a cross default with the term loan, the occurrence of a material adverse event and the occurrence or a change of control. In the event of a default, all of the obligations of the Company and its subsidiaries under the BofA Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations would become due and payable.

Total borrowing capacity under the BofA Agreement at December 31, 2013 was \$47,620 and borrowing availability was \$12,842.

Prior Bank of America Loan Agreement

The BofA Agreement entered into in February 2013 replaced our prior secured credit facility with Bank of America, N.A., as Administrative Agent, as set forth in the Amended and Restated Loan Agreement, dated August 2, 2010, as amended through November 7, 2012 (as amended, the "Prior Loan Agreement"). The Prior Loan Agreement provided for an \$80,000 working capital revolving credit facility. The amounts outstanding under the Prior Loan Agreement was paid in full on February 28, 2013.

We had also entered into various interest rate swap agreements in the past which effectively fixed the interest rates on a portion of the outstanding debt, of which, the last agreement matured on June 7, 2012. In addition, the credit facility had an unused line fee based on the unused amount of the credit facility equal to 25 basis points.

The Prior Loan Agreement also contained customary events of default, including a cross default provision and a change of control provision. In the event of a default, all of the obligations of the Company and its subsidiaries under the loan Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations become due and payable.

Term Loan

On February 28, 2013 the Company and its subsidiary, Summer Infant (USA), Inc., as borrowers, entered into a term-loan agreement (the "Term Loan Agreement") with Salus Capital Partners, LLC, as administrative agent and collateral agent, and each lender from time to time a party to the Term Loan Agreement providing for a \$15,000 term-loan (the "Term Loan").

Proceeds from the Term Loan were used to repay certain existing debt, and were also used to finance the acquisition of working capital assets in the ordinary course of business, capital expenditures, and for other general corporate purposes. The Term Loan is secured by certain assets of the Company, including a first priority lien on intellectual property, plant, property and equipment, and a pledge of 65% of the ownership interests in certain subsidiaries of the Company. The Term Loan matures on February 28, 2018. In addition, Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the Term Loan Agreement.

The principal of the Term Loan is being repaid, on a quarterly basis, in installments of \$375, commencing with the quarter ending September 30, 2013, until paid in full on termination. The Term Loan bears interest at an annual rate equal to LIBOR, plus 10%, with a LIBOR floor of 1.25%. Interest payments are due monthly, in arrears. As of December 31, 2013 the interest rate on the Term Loan was 11.25%.

The Term Loan Agreement contains customary affirmative and negative covenants substantially the same as the BofA Agreement described above. In addition, prior to the amendment in November 2013 described below, we were required to (i) meet the same minimum, monthly consolidated EBITDA as set forth in the BofA Agreement and (ii) initially maintain a monthly senior leverage ratio of 1:1. For

periods after February 28, 2014, the senior leverage ratio will be based on an annual business plan to be approved by the Company's Board of Directors and will be tested monthly on a trailing twelve month basis. For purposes of the financial covenants in the Term Loan Agreement, the senior leverage ratio is the ratio of (1) all amounts outstanding under the Term Loan Agreement and the BofA Agreement to (2) consolidated EBITDA for the twelve-month period ending as of the last day of the most recently ended fiscal month. The Term Loan Agreement also contains events of default, including a cross default with the BofA agreement, the occurrence of a material adverse event, the occurrence of a change of control, and the recall of products having a value of \$2,000 or more. In the event of a default, all of the obligations of the Company and its subsidiaries under the Term Loan Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations would become due and payable.

On November 8, 2013, we entered into an amendment (the "Term Loan Amendment") to the Term Loan Agreement. The Term Loan Amendment amended the financial covenants in the Term Loan Agreement to provide that (i) we are no longer required to comply with the minimum EBITDA covenants for any period ending after September 30, 2013, (ii) we maintain a trailing 12-month fixed charge coverage ratio of at least 1.0 to 1.0, tested on a monthly basis, from and after September 30, 2013, and (iii) commencing February 28, 2014, we maintain a trailing 12-month senior leverage ratio, tested on a monthly basis of (a) no more than 6.0 to 1.0 for the periods ending on or before June 30, 2014, (b) no more than 5.5 to 1.0 for periods ending July 1, 2014 through September 30, 2014, and (c) no more than 5.0 to 1.0 for periods following September 30, 2014.

The amount outstanding on the Term Loan at December 31, 2013 was \$14,250.

We were in compliance with the financial covenants under the BofA Agreement and the Term Loan at December 31, 2013.

We believe that our cash on hand and banking facilities are sufficient to fund our cash requirements for at least the next twelve months. However, if we are unable to meet our current financial forecast and cannot raise additional funds or adjust our operations accordingly, we may not remain in compliance with our fixed charge coverage ratio or senior debt leverage ratio. 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 the available lines of credit due to not having sufficient assets or fixed charge coverage ratio as required under our loan agreements. 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.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during either of the years ended December 31, 2013 and 2012.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued an amendment to the accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit to be presented as a decrease in a deferred tax asset where a net operating loss, a similar tax loss, or a tax

credit carryforward exists and certain criteria are met. This guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The Company is in compliance with this guidance in its consolidated financial statements.

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 expected effectiveness of our strategy to promote future growth and profitability, the strength of our customer and supplier relationships, our ability to expand internationally, the expected impact of cost reduction activities on our business, and expected trends and product offerings in 2014. These statements are based on a series of expectations, assumptions, estimates and projections about the 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. Actual results of the Company 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 financial status of our customers and their ability to pay us in a timely manner;
- our ability to introduce new products or improve existing products that satisfy consumer preferences;
- our ability to develop new or improved products in a timely and cost-efficient manner;
- our ability to compete with larger and more financial stable companies in our markets;
- our ability to comply with financial and other covenants in our debt agreements;
- our dependence on key personnel;
- our reliance on foreign suppliers and potential disruption in foreign markets in which we operate;
- increases in the cost of raw materials used to manufacture our products;
- compliance with safety and testing regulations for our products;
- product liability claims arising from use of our products;
- 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 the Company's results of operations, financial condition and liquidity.

The Company intends its forward-looking statements to speak only as of the time of such statements and does not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results. The Company can give no 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 the Company following this report that modify or impact any of the forward-looking statements contained in or accompanying this report will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2013. Our principal executive officer and principal financial officer have concluded, based on their evaluation, that as of the end of the period covered by this report, our disclosure controls and procedures were effective as of December 31, 2013.

(b) *Management's Report on Internal Control over Financial Reporting*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes those policies and procedures that:

- 1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and the board of directors of the company; and

3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on its financial statements.

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

The Company's management has used the criteria established in the 1992 "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 has selected the COSO Framework for its evaluation as it is a control framework recognized by the SEC and the Public Company Accounting Oversight Board, that is free from bias, permits reasonably consistent qualitative and quantitative measurement of the Company's internal controls, is sufficiently complete so that relevant controls are not omitted, and is relevant to an evaluation of internal controls over financial reporting.

Management of the Company conducted an evaluation of the effectiveness, as of December 31, 2013, of the Company's internal control over financial reporting and based on its evaluation under the COSO Framework, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

(c) *Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information related 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 2014 Annual Meeting of Stockholders (the "2014 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 that appears in the 2014 Proxy Statement is also incorporated herein by reference.

We have adopted a Code of Ethics that applies to all 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 regarding the Company's Audit Committee and its designated audit committee financial experts is set forth in the 2014 Proxy Statement and such information is incorporated herein by reference.

The information concerning procedures by which stockholders may recommend director nominees is set forth in the 2014 Proxy Statement and such information is incorporated herein by reference.

Item 11. Executive Compensation

The information relating to executive compensation and the Company's policies and practices is set forth in the 2014 Proxy Statement and such information 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 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 2014 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 2014 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant 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 2014 Proxy Statement and is incorporated herein by reference.

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.

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 11th day of March 2014.

SUMMER INFANT, INC.

By: /s/ CAROL BRAMSON

Carol Bramson
Chief Executive Officer
(Principal Executive Officer)

By: /s/ PAUL FRANCESE

Paul Francese
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.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u> /s/ CAROL BRAMSON</u> Carol Bramson	Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2014
<u> /s/ PAUL FRANCESE</u> Paul Francese	Chief Financial Officer (Principal Financial and Accounting Officer)	March 11, 2014
<u> /s/ DAN ALMAGOR</u> Dan Almagor	Director	March 11, 2014
<u> /s/ MAX BATZER</u> Max Batzer	Director	March 11, 2014
<u> /s/ MARTIN FOGELMAN</u> Martin Fogelman	Director	March 11, 2014
<u> /s/ JASON MACARI</u> Jason Macari	Director	March 11, 2014
<u> /s/ DERIAL SANDERS</u> Derial Sanders	Director	March 11, 2014
<u> /s/ ROBERT STEBENNE</u> Robert Stebenne	Director	March 11, 2014
<u> /s/ RICHARD WENZ</u> Richard Wenz	Director	March 11, 2014



Summer Infant, Inc. And Subsidiaries
Index to Financial Statements

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Comprehensive Income (Loss)	F-5
Consolidated Statements of Cash Flows	F-6
Consolidated Statements of Stockholders' Equity	F-7
Notes to Consolidated Financial Statements	F-8 - F-27

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Summer Infant, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, cash flows, and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summer Infant, Inc. and Subsidiaries as of December 31, 2013 and 2012, 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/ McGladrey LLP

McGladrey LLP
Boston, Massachusetts
March 11, 2014

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.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,573	\$ 3,132
Trade receivables, net of allowance for doubtful accounts of \$100 and \$78 at December 31, 2013 and 2012, respectively	34,574	45,299
Inventory, net	38,378	49,823
Prepays and other current assets	1,890	2,483
Deferred tax assets	832	1,185
TOTAL CURRENT ASSETS	<u>77,247</u>	<u>101,922</u>
Property and equipment, net	14,796	16,834
Other intangible assets, net	21,575	21,556
Other assets	1,749	8
TOTAL ASSETS	<u>\$ 115,367</u>	<u>\$ 140,320</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 31,730	\$ 37,138
Line of credit and current portion of long-term debt (including capital leases)	1,962	770
TOTAL CURRENT LIABILITIES	<u>33,692</u>	<u>37,908</u>
Long-term debt, less current portion	47,756	64,767
Other liabilities	3,289	3,498
Deferred tax liabilities	3,140	4,194
TOTAL LIABILITIES	<u>87,877</u>	<u>110,367</u>
STOCKHOLDERS' EQUITY		
Preferred Stock, \$0.0001 par value, 1,000,000 authorized, none issued or outstanding at December 31, 2013 and December 31, 2012	—	—
Common Stock \$0.0001 par value, authorized, issued and outstanding of 49,000,000, 18,257,924, and 17,986,275 at December 31, 2013 and 49,000,000, 18,133,945 and 17,862,296 at December 31, 2012, respectively	2	2
Treasury Stock at cost (271,649 shares at December 31, 2013 and 2012)	(1,283)	(1,283)
Additional paid-in capital	73,715	72,790
Accumulated deficit	(44,167)	(41,352)
Accumulated other comprehensive loss	(777)	(204)
TOTAL STOCKHOLDERS' EQUITY	<u>27,490</u>	<u>29,953</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 115,367</u>	<u>\$ 140,320</u>

See notes to consolidated financial statements

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 year ended	
	December 31, 2013	December 31, 2012
Net sales	\$ 208,173	\$ 247,227
Cost of goods sold	143,166	167,455
Gross profit	65,007	79,772
General and administrative expenses	38,022	41,674
Selling expenses	20,839	29,009
Impairment of goodwill and intangible assets	—	69,796
Depreciation and amortization	6,280	7,566
Operating loss	(134)	(68,273)
Interest expense, net	(3,999)	(4,148)
Loss before provision for income taxes	(4,133)	(72,421)
Benefit for income taxes	(1,318)	(6,768)
NET LOSS	\$ (2,815)	\$ (65,653)
Net loss per share BASIC	\$ (0.16)	\$ (3.68)
Weighted average shares outstanding BASIC	17,929,734	17,861,169
Net loss per share DILUTED	\$ (0.16)	\$ (3.68)
Weighted average shares outstanding DILUTED	17,929,734	17,861,169

See notes to consolidated financial statements

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.

	<u>For the year ended</u>	
	<u>December 31, 2013</u>	<u>December, 31 2012</u>
Net loss	\$ (2,815)	\$ (65,653)
Other comprehensive (loss) income:		
Cumulative changes in foreign currency translation adjustments	(573)	399
Comprehensive loss	<u>\$ (3,388)</u>	<u>\$ (65,254)</u>

See notes to consolidated financial statements

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 year ended	
	December 31, 2013	December 31, 2012
Cash flows from operating activities:		
Net loss	\$ (2,815)	\$ (65,653)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment of goodwill and intangible assets	—	69,796
Change in value of interest rate swap agreements	—	(88)
Depreciation and amortization	6,280	7,566
Stock-based compensation	893	888
Loss on asset disposal	70	—
Deferred income taxes	(715)	(8,218)
Changes in assets and liabilities, net of effects of acquisitions		
Decrease in accounts receivable	10,682	2,319
Decrease in inventory	11,426	567
(Increase) decrease in prepaids and other current assets	604	1,644
(Increase) decrease in other assets	(1,744)	13
(Decrease) in accounts payable and accrued expenses	(5,620)	(3,681)
Net cash provided by operating activities	<u>19,061</u>	<u>5,153</u>
Cash flows from investing activities:		
Acquisitions of property and equipment	(3,259)	(5,596)
Acquisitions of other intangible assets	(1,114)	(510)
Proceeds from sale of assets	138	—
Acquisitions, net of cash acquired	(87)	—
Net cash used in investing activities	<u>(4,322)</u>	<u>(6,106)</u>
Cash flows from financing activities:		
Net borrowings of debt	(15,819)	2,181
Issuance of common stock upon exercise of stock options	32	744
Net cash (used in) provided by financing activities	<u>(15,787)</u>	<u>2,925</u>
Effect of exchange rate changes on cash and cash equivalents	(511)	(55)
Net increase in cash and cash equivalents	(1,559)	1,917
Cash and cash equivalents at beginning of year	3,132	1,215
Cash and cash equivalents at end of year	<u>\$ 1,573</u>	<u>\$ 3,132</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,428	\$ 3,604
Cash paid during the year for income taxes	<u>\$ 96</u>	<u>\$ 980</u>
Non cash investing and financing activities:		
Capital lease obligations incurred	—	1,507

See notes to consolidated financial statements

Consolidated Statements of Stockholders' Equity

For the Years Ended December 31, 2013 and 2012

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

	Commons Stock		Additional	Treasury	Retained	Accumulated	Total
	Shares	Amount	Paid in		Earnings	Comprehensive	Equity
Balance at December 31 2011	17,576,533	\$ 2	\$ 71,158	\$ (956)	\$ 24,301	\$ (603)	\$ 93,902
Return of common stock—Born Free net asset adjustment	(130,515)			(327)			(327)
Issuance of common stock upon vesting of restricted shares	223,000						
Issuance of common stock upon exercise of stock options	193,278	—	744				744
Stock-based compensati			888				888
Net loss for the year					(65,653)		(65,653)
Foreign currency translation adjustment						399	399
Balance at December 31 2012	17,862,296	\$ 2	\$ 72,790	\$ (1,283)	\$ (41,352)	\$ (204)	\$ 29,953
Issuance of common stock upon vesting of restricted shares	111,479						
Issuance of common stock upon exercise of stock options	12,500	—	32				32
Stock-based compensati			893				893
Net loss for the year					(2,815)		(2,815)
Foreign currency translation adjustment						(573)	(573)
Balance at December 31							

2013

17,986,275 \$ 2 \$ 73,715 \$ (1,283) \$ (44,167) \$ (777) \$ 27,490

See notes to consolidated financial statements

F-7

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company is a global designer, marketer, and distributor of branded juvenile health, safety and wellness products which are sold principally to large North American and European retailers. The Company currently markets its products in several product categories such as monitoring, safety, nursery, baby gear, feeding products, and furniture. Most products are sold under our core brand names of Summer® and Born Free®. The Company has also marketed certain products under licenses with Carter's®, Disney®, and Garanimals®. Anchor products in these categories include nursery audio/video monitors, safety gates, bath tubs and bathers, durable bath products, bed rails, nursery products, swaddling blankets, baby bottles, warming/sterilization systems, booster and potty seats, bouncers, travel accessories, high chairs, swings, feeding products, car seats, strollers, and nursery furniture. Over the years, the Company has completed several acquisitions and added products such as cribs, swaddling, and feeding to its product categories.

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. Certain items in prior year financials were reclassified to conform to current year presentation.

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 historical experience.

Sales incentives or other consideration given by the Company to customers that are considered adjustments of the selling price of its 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.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of 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.

Inventory Valuation

Inventory is comprised of finished goods 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.

Impairment of Long-Lived Assets with Finite Lives

The Company reviews 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 the Company to current operations. For each of the years ended December 31, 2013 and 2012, no such impairment existed.

Goodwill and Indefinite-Lived Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with accounting guidance that requires that goodwill and 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

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Company tests goodwill for impairment using a two-step process. In the first step, the Company compares the fair value of its single reporting unit with its carrying amount including goodwill. If the fair value of the single reporting unit exceeds its carrying value, the goodwill is considered not impaired, thus rendering unnecessary the second step in impairment testing. If the fair value of the single reporting unit is less than the carrying value, a second step is performed in which the implied fair value of the reporting unit's goodwill is compared to the carrying value of the goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the single reporting unit and the net fair value of the identifiable assets and liabilities of the single reporting unit. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge. The Company had no goodwill in fiscal 2013 and determined that no impairment existed on its indefinite-lived intangible assets for the year ended December 31, 2013. See Note 3 for discussion of the 2012 impairment charge.

Fair Value Measurements

Previously, the Company adopted ASC 820 Fair Value Measurements and Disclosures which established a new framework for measuring fair value and expanded related disclosures. Broadly, the framework required 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 risk management resources that review valuation, including independent price validation.

The Company has used derivatives to fix interest rates. As a matter of policy, the Company does not use derivatives for speculative purposes. There were no interest rate swap agreements outstanding at December 31, 2013 and at December 31, 2012.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Previously, the Company adopted the provisions of a new standard which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a "more-likely-than-not" recognition threshold at the effective date to be recognized upon adoption and in subsequent periods. Upon the adoption, and at December 31, 2013 and 2012, the Company did not have any uncertain tax positions. No interest and penalties related to uncertain tax positions were accrued at December 31, 2013 and 2012.

The Company's federal tax return for the year ended December 31, 2009 was audited in 2012 by the Internal Revenue Service and all taxes and interest have been paid. Any tax penalties or interest is recorded as a general and administrative cost in operations. The Company expects no material changes to unrecognized tax positions within the next twelve months.

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 affiliates 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 income (loss). Foreign exchange transaction gains and losses are included in the statements of operations.

Shipping Costs

Shipping costs to customers are included in selling expenses and amounted to approximately \$1,521 and \$2,251 for the years ended December 31, 2013 and 2012, respectively.

Advertising Costs

The Company charges advertising costs to selling, general and administration expense as incurred. Advertising expense, which consists primarily of promotional and cooperative advertising allowances provided to customers, was approximately \$16,791 and \$22,558 for the years ended December 31, 2013 and 2012, respectively.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Net Income Per Share

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

Diluted earnings per share for the Company is computed by dividing net income (loss) by the sum of: the weighted-average number of shares of common stock outstanding during the period; the dilutive impact (using the "treasury stock" method) of "in the money" stock options; and unvested restricted shares issued to employees. Options to purchase 446,000 and 654,421 shares of the Company's common stock and 268,361 and 183,742 of restricted shares were not included in the calculation, due to the fact that these instruments were anti-dilutive for the years ended December 31, 2013 and 2012, respectively.

New Accounting Pronouncements

In July 2013, the FASB issued an amendment to the accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit to be presented as a decrease in a deferred tax asset where a net operating loss, a similar tax loss, or a tax credit carryforward exists and certain criteria are met. This guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The Company is in compliance with the adoption of this guidance in its consolidated financial statements.

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.

2. PROPERTY AND EQUIPMENT

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

	December 31,		Depreciation/ Amortization Period
	2013	2012	
Computer-related	\$ 5,672	\$ 5,388	5 years
Tools, dies prototypes, and molds	26,372	24,722	1 - 5 years
Building	4,156	4,156	30 years
Other	5,584	4,493	various
	<u>41,784</u>	<u>38,759</u>	
Less accumulated depreciation	26,988	21,925	
Property and Equipment, net	<u>\$ 14,796</u>	<u>\$ 16,834</u>	

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. PROPERTY AND EQUIPMENT (Continued)

Property and equipment includes amounts acquired under capital leases of approximately \$2,420 and \$3,508 at December 31, 2013 and 2012, respectively, with related accumulated depreciation of approximately \$605 and \$370, respectively. Total depreciation expense was \$5,145 and \$6,456 for the years ended December 31, 2013 and 2012, respectively.

3. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Because the Company has fully integrated its acquisitions, it has determined that it has only one reporting unit for purposes of testing for goodwill impairment.

Due to the sustained decrease in the Company's results of operations (below forecasts) and stock price during the third quarter of 2012, management undertook an interim goodwill and intangible asset impairment analysis and engaged a third party to assist management in testing goodwill and other intangible assets recorded on the balance sheet.

The Step I test for goodwill resulted in the determination that the carrying value of the reporting unit exceeded its fair value thus requiring the Company to measure the amount of any goodwill impairment by performing the second step of the impairment test. Fair value of the reporting unit in Step I was determined based on a combination of a discounted cash flow valuation method as well as the Guideline Public Company Method—Control, Marketable Basis and the Public Traded Shares—Control, Marketable Basis Method. The second step (defined as "Step II") of the goodwill impairment test, used to measure the amount of impairment loss, compared the implied fair value of the single reporting unit goodwill with the carrying amount of that goodwill. The loss recognized cannot exceed the carrying amount of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The Company estimated the fair value of its tangible and intangible assets as part of the process. Intangible assets included trade names, customer relationships and patents. For intangible assets, the Company selected an income approach to value trade names, customer relationships and patents. The customer relationships were valued using a discounted cash flow methodology while the trade names and patents were valued using a relief from royalty method.

As a result of its analysis and the valuation study discussed above, management determined the implied fair value of goodwill was zero and the Company recorded a non-cash goodwill impairment charge of \$61,908 in 2012. There was no such charge in 2013.

Intangible assets

As a result of its analysis and the valuation study discussed previously, prior to testing goodwill for impairment, management determined that the estimated fair value of an indefinite lived intangible for a brand name (based on the relief from royalty method of the income approach) was lower than carrying value and recorded a write-down as summarized below. There was no such charge in 2013.

In addition, the Company concluded that certain customer relationship intangible assets valued at \$2,346 should be changed from an indefinite-lived intangible asset to a finite-lived intangible asset at the end of the third quarter of 2012, on a prospective basis. In accordance with ASC

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. GOODWILL AND INTANGIBLE ASSETS (Continued)

Topic 350-30-35-17, the Company undertook an intangible asset impairment analysis prior to the reclassification and determined that the fair value of the assets exceeded their carrying value. The customer relationship assets were added in 2008 and 2009 from past acquisitions. As part of this reclassification, the assets were assigned a 20 year estimated useful life and are amortized over a straight-line basis as there was no discernable pattern in which the economic benefits of the intangible asset could be consumed. Amortization began in the fourth quarter of 2012 and is included in the table below.

Intangible assets consist of the following:

	December 31,	
	2013	2012
Brand names	\$ 14,812	\$ 22,700
Impairment of brand name	—	(7,888)
Brand names—net	14,812	14,812
Patents and licenses	3,378	2,221
Customer relationships	6,946	6,946
Other intangibles	1,882	1,882
	27,018	25,861
Less: Accumulated amortization	(5,443)	(4,305)
Intangible assets, net	<u>\$ 21,575</u>	<u>\$ 21,556</u>

The amortization period for the majority of the intangible assets ranges from 5 to 20 years for those assets that have an estimated life; certain of the assets have indefinite lives (brand names). Total of intangibles not subject to amortization amounted to \$12,308 for the years ended December 31, 2013 and 2012, respectively.

Amortization expense amounted to \$1,135 and \$1,110 for the years ended December 31, 2013 and 2012, respectively. Estimated amortization expense for the next five years is as follows:

Year ending December 31,	
2014	\$ 1,084
2015	1,031
2016	1,031
2017	1,031
2018	983

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2013	2012
Accounts payable	\$ 15,420	\$ 18,580
Customer advertising and allowances	4,834	3,691
Accrued purchases of inventory	8,321	10,739
Other (none in excess of 5% of current liabilities)	3,155	4,128
Total	\$ 31,730	\$ 37,138

5. DEBT

Credit Facilities

On February 28, 2013, the Company and its subsidiary, Summer Infant (USA), Inc., entered into a new loan and security agreement (as amended, the "BofA Agreement") with Bank of America, N.A., as agent, the financial institutions party to the agreement from time to time as lenders, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole book runner. The BofA Agreement replaced the Company's prior credit facility with Bank of America. The Company also entered into a term loan with Salus Capital Partners, which is described below under "Term Loan."

BofA Agreement

The BofA Agreement provides for an \$80,000, asset-based revolving credit facility, with a \$10,000 letter of credit sub-line facility. The total borrowing capacity is based on a borrowing base, which is defined as 85% of eligible receivables plus the lesser of (i) 70% of the value of eligible inventory or (ii) 85% of the net orderly liquidation value of eligible inventory and less reserves.

The scheduled maturity date of loans under the BofA Agreement is February 28, 2018 (subject to customary early termination provisions). All obligations under the BofA Agreement are secured by substantially all the assets of the Company, subject to a first priority lien on certain assets held by the term-loan lender described below. In addition, Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the BofA Agreement. Proceeds from the loans were used to satisfy existing debt, pay fees and transaction expenses associated with the closing of the BofA Agreement, pay obligations under the BofA Agreement, and were used to make payments on the Term Loan and for other general corporate purposes, including working capital.

Loans under the BofA Agreement bear interest, at the Company's option, at a base rate or at LIBOR, plus applicable margins based on average quarterly availability under the BofA Agreement and ranging between 1.75% and 2.25% on LIBOR borrowings and 0.25% and 0.75% on base rate borrowings. Interest payments are due monthly, payable in arrears. The Company is also required to pay an annual non-use fee of 0.375% of the unused amounts under the BofA Agreement, as well as other customary fees as are set forth in the BofA Agreement. As of December 31, 2013 the base rate on loans was 3.75% and the LIBOR rate was 2.25%.

Under the BofA Agreement, the Company is required to comply with certain financial covenants. Prior to an amendment in November 2013 described below, the Company was required, (i) for the first

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. DEBT (Continued)

year of the loan, to maintain and earn a specified minimum, monthly consolidated EBITDA amount, with such specified amounts increasing over the first year of the loan to a minimum consolidated EBITDA of \$12,000 at February 28, 2014, and (ii) beginning with the fiscal quarter ending March 31, 2014, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of four fiscal quarters most recently ended. For purposes of the financial covenants, consolidated EBITDA is defined as net income before interest, taxes, depreciation and amortization, plus certain customary expenses, fees and non-cash charges and minus certain customary non-cash items increasing net income.

On November 8, 2013, the Company entered into an amendment (the "BofA Amendment") to the BofA Agreement described above. The BofA Amendment amended the financial covenants in the BofA Agreement to provide that (i) the Company is no longer required to comply with the minimum EBITDA covenants for any period ending after September 30, 2013 and (ii) the Company maintain a trailing 12-month fixed charge coverage ratio of at least 1.0 to 1.0, tested on a monthly basis, from and after September 30, 2013.

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

Total borrowing capacity under the BofA Agreement at December 31, 2013 was \$47,620 and borrowing availability was \$12,842.

Prior Bank of America Loan Agreement

The BofA Agreement entered into in February 2013 replaced the Company's prior secured credit facility with Bank of America, N.A., as Administrative Agent, as set forth in the Amended and Restated Loan Agreement, dated August 2, 2010, as amended through November 7, 2012 (as amended, the "Prior Loan Agreement"). The Prior Loan Agreement provided for an \$80,000 working capital revolving credit facility. The amounts outstanding under the Prior Loan Agreement were paid in full on February 28, 2013.

The Company had also entered into various interest rate swap agreements in the past which effectively fixed the interest rates on a portion of the outstanding debt, of which, the last agreement matured on June 7, 2012. In addition, the credit facility had an unused line fee based on the unused amount of the credit facility equal to 25 basis points.

The Prior Loan Agreement also contained customary events of default, including a cross default provision and a change of control provision. In the event of a default, all of the obligations of the Company and its subsidiaries under the loan Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations become due and payable.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. DEBT (Continued)

Term Loan

On February 28, 2013 the Company and its subsidiary, Summer Infant (USA), Inc., as borrowers, entered into a term-loan agreement (the "Term Loan Agreement") with Salus Capital Partners, LLC, as administrative agent and collateral agent, and each lender from time to time a party to the Term Loan Agreement providing for a \$15,000 term-loan (the "Term Loan").

Proceeds from the Term Loan were used to repay certain existing debt, and were also used to finance the acquisition of working capital assets in the ordinary course of business, capital expenditures, and for other general corporate purposes. The Term Loan is secured by certain assets of the Company, including a first priority lien on intellectual property, plant, property and equipment, and a pledge of 65% of the ownership interests in certain subsidiaries of the Company. The Term Loan matures on February 28, 2018. In addition, Summer Infant Canada Limited and Summer Infant Europe Limited, subsidiaries of the Company, are guarantors under the Term Loan Agreement.

The principal of the Term Loan is being repaid, on a quarterly basis, in installments of \$375, commencing with the quarter ending September 30, 2013, until paid in full on termination. The Term Loan bears interest at an annual rate equal to LIBOR, plus 10%, with a LIBOR floor of 1.25%. Interest payments are due monthly, in arrears. As of December 31, 2013 the interest rate on the Term Loan was 11.25%.

The Term Loan Agreement contains customary affirmative and negative covenants substantially the same as the BofA Agreement described above. In addition, prior to the amendment in November 2013 described below, the Company was required to comply with certain financial covenants, including that the Company (i) meet the same minimum, monthly consolidated EBITDA as set forth in the BofA Agreement and (ii) initially maintain a monthly senior leverage ratio of 1:1. For periods after February 28, 2014, the senior leverage ratio will be based on an annual business plan to be approved by the Company's Board of Directors and will be tested monthly on a trailing twelve month basis. For purposes of the financial covenants in the Term Loan Agreement, the senior leverage ratio is the ratio of (1) all amounts outstanding under the Term Loan Agreement and the BofA Agreement to (2) consolidated EBITDA for the twelve-month period ending as of the last day of the most recently ended fiscal month. The Term Loan Agreement also contains events of default, including a cross default with the BofA agreement, the occurrence of a material adverse event, the occurrence of a change of control, and the recall of products having a value of \$2,000 or more. In the event of a default, all of the obligations of the Company and its subsidiaries under the Term Loan Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations would become due and payable.

On November 8, 2013, the Company entered into an amendment (the "Term Loan Amendment") to the Term Loan Agreement described above. The Term Loan Amendment amended the financial covenants in the Term Loan Agreement to provide that (i) the Company is no longer required to comply with the minimum EBITDA covenants for any period ending after September 30, 2013, (ii) the Company maintain a trailing 12-month fixed charge coverage ratio of at least 1.0 to 1.0, tested on a monthly basis, from and after September 30, 2013, and (iii) commencing February 28, 2014, the Company maintain a trailing 12-month senior leverage ratio, tested on a monthly basis of (a) no more than 6.0 to 1.0 for the periods ending on or before June 30, 2014, (b) no more than 5.5 to 1.0 for periods ending July 1, 2014 through September 30, 2014, and (c) no more than 5.0 to 1.0 for periods following September 30, 2014.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. DEBT (Continued)

The amount outstanding on the Term Loan at December 31, 2013 was \$14,250.

The Company was in compliance with the financial covenants under the BofA Agreement and the Term Loan at December 31, 2013.

Aggregate maturities of bank debt related to the BofA credit facility and Term Loan are as follows:

Year ending December 31:	2014	\$ 1,500
	2015	\$ 1,500
	2016	\$ 1,500
	2017	\$ 1,500
	2018	\$ 43,028
	Total	\$ 49,028

Sale-Leaseback

On March 24, 2009 the Company 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 director, 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 unless an option period is exercised by Summer USA. At that time, Summer USA will have the opportunity to extend the lease for one additional period of five years. If Summer USA elects to extend the term of the lease for an additional five years, the annual rent for the first two years of the extension term shall 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 has 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 has 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 has been recorded as a financing lease, with no gain recognition. At December 31, 2013, approximately \$225 was included in accounts payable and accrued expenses, with the balance of approximately \$3,290 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.

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 granted a potential waiver, to the extent necessary, if at all, of the conflict of interest provisions of the Company's Model 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

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. DEBT (Continued)

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 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.

In addition, 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).

6. INCOME TAXES

The benefit for income taxes is summarized as follows:

	<u>2013</u>	<u>2012</u>
Current:		
Federal	\$ (15)	\$ 633
Foreign	(599)	683
State and Local	(3)	79
Total Current	(617)	1,395
Deferred (primarily federal)	(701)	(8,163)
Total benefit	<u>\$ (1,318)</u>	<u>\$ (6,768)</u>

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

	<u>2013</u>	<u>2012</u>
Assets (Liabilities)		
Deferred tax asset—current:		
Accounts receivable	\$ 13	\$ 15
Inventory and Unicap reserve	694	921
Foreign tax credit carry-forward and other	125	1,650
Foreign earnings not permanently reinvested (Canada & UK)	—	(1,401)
Net deferred tax asset-current	<u>832</u>	<u>1,185</u>
Deferred tax (liability) asset—non-current:		
Research and development credit, foreign tax credit and net operating loss carry-forward	3,953	3,352
Intangible assets and other	(4,008)	(4,242)
Property, plant and equipment	(1,776)	(2,627)
Total deferred tax liability	(1,831)	(3,517)
Valuation allowance	(1,309)	(677)
Net deferred tax liability non-current:	<u>(3,140)</u>	<u>(4,194)</u>
Net deferred income tax liability	<u>\$ (2,308)</u>	<u>\$ (3,009)</u>

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. INCOME TAXES (Continued)

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:

	<u>2013</u>	<u>2012</u>
Tax benefit at statutory rate	\$ (1,405)	\$ (24,623)
State income taxes, net of U.S. federal income tax benefit	232	(556)
Stock options	121	136
Foreign dividend	—	321
Goodwill and other intangible asset impairment	—	17,612
Valuation allowance of state R&D credits	110	1
Foreign tax rate differential	(184)	45
Tax credits	(150)	9
Tax rate changes	—	160
Non-deductible expenses	16	21
Other	(58)	106
Total benefit	<u>\$ (1,318)</u>	<u>\$ (6,768)</u>

The Company had undistributed earnings from certain foreign subsidiaries (Summer Infant Asia, Summer Infant Australia, and Born Free Holdings, Ltd) of approximately \$12,816 at December 31, 2013 which is all 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 5—Debt. The cumulative effect in 2013 was \$373 and will affect future years based on earnings. The amount of taxes attributable to the permanently reinvested undistributed earnings is not practicably determinable.

As of December 31, 2013, the Company has approximately \$259 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 \$1,410, \$12, \$244 and \$71 of NOLs in Canada, the United Kingdom, Australia, and France 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 \$1,310 relating to certain state tax credits is necessary at December 31, 2013.

Upon the adoption, and at December 31, 2013 and 2012, the Company did not have any uncertain tax positions. No interest and penalties related to uncertain tax positions were accrued at December 31, 2013 and 2012. 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. The Company expects no material changes to unrecognized tax positions within the next twelve months.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. SHARE BASED COMPENSATION

The Company is authorized to issue up to 3,000,000 shares for equity awards under the 2006 Performance Equity Plan ("2006 Plan") and 500,000 shares for equity awards under the 2012 Incentive Compensation Plan ("2012 Plan").

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 years ended December 31, 2013 and 2012 of \$893 and \$888, respectively. Stock based compensation expense is included in selling, general and administrative expenses. There were no share-based payment arrangements capitalized as part of the cost of an asset.

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 following table. The Company uses the simplified method to estimate the expected term of the options, but used an estimate for grants of "plain vanilla" stock options based on a formula prescribed by the SEC. 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 2013 and 2012 is based on awards that are ultimately expected to vest.

The following table summarizes the weighted average assumptions used for options granted during the year ended December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Expected life (in years)	6.0	6.0
Risk-free interest rate	1.71%	1.71%
Volatility	55%	55%
Dividend yield	0%	0%
Forfeiture rate	10%	10%

The weighted-average grant date fair value of options granted during the year ended December 31, 2013 was \$1.69 per share which totals \$588 for the 348,000 options granted during such period. During the year ended December 31, 2012, the weighted-average grant date fair value of options granted was \$2.21 per share which totaled \$482 for the 218,428 options granted during the year.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. SHARE BASED COMPENSATION (Continued)

A summary of the status of the Company's options as of December 31, 2013 and changes during the year then ended is presented below:

	Number Of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,187,493	\$ 4.11
Granted	348,000	\$ 3.23
Exercised	(12,500)	\$ 2.55
Canceled	(113,581)	\$ 3.93
Outstanding at end of year	<u>1,409,412</u>	<u>\$ 3.92</u>
Options exercisable at December 31, 2013	<u>941,744</u>	<u>\$ 3.85</u>

Outstanding stock options expected to vest as of December 31, 2013 is 1,347,000. The intrinsic value of options exercised totaled \$3 and \$490 for the years ended December 31, 2013 and 2012, respectively.

The following table summarizes information about stock options at December 31, 2013:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Remaining Contractual Life	Weighted Average Exercise Price
\$1.89 - \$3.00	517,000	5.6	\$ 2.20	463,500	5.3	\$ 2.17
\$3.01 - \$4.00	273,000	9.4	\$ 3.38	0	0	\$ 0.00
\$4.01 - \$5.00	20,000	5.7	\$ 4.33	20,000	5.7	\$ 4.33
\$5.01 - \$6.00	490,862	4.9	\$ 5.32	385,419	4.0	\$ 5.27
\$6.01 - \$8.00	108,550	7.3	\$ 7.00	72,825	7.2	\$ 6.94
	<u>1,409,412</u>	<u>6.2</u>	<u>\$ 3.92</u>	<u>941,744</u>	<u>4.9</u>	<u>\$ 3.85</u>

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2013 and 2012 are \$3 and \$0, respectively.

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Non-Vested options at December 31, 2012	334,672	\$ 5.17	\$ 2.70
Options Granted	348,000	3.23	1.69
Options Vested	(90,863)	3.61	1.86
Options forfeited	(124,141)	5.11	2.65
Non-Vested options at December 31, 2013	<u>467,668</u>	<u>\$ 4.04</u>	<u>\$ 2.13</u>

As of December 31, 2013, there was approximately \$667 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 2.8 years.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. SHARE BASED COMPENSATION (Continued)

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 for the Company's stock incentive plan for the year ended December 31, 2013, is as follows:

	Number of Shares	Grant Date Fair Value
Non-Vested restricted stock awards as of December 31, 2012	186,127	\$ 5.19
Granted	224,750	3.25
Vested	(111,484)	4.35
Forfeited	(31,032)	3.64
Non-Vested restricted stock awards as of December 31, 2013	<u>268,361</u>	<u>\$ 4.09</u>

As of December 31, 2013, there was approximately \$742 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 2.6 years.

As of December 31, 2013, there are 132,470 shares available to grant under the 2006 Plan and 469,500 shares available to grant under the 2012 Plan.

8. CAPITAL LEASE OBLIGATIONS

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

The leases require monthly payments of principal and interest, imputed at interest rates ranging from 3% to 18% per annum.

The capital lease liability balance of approximately \$678 and \$1,437 is included in debt on the consolidated balance sheets as of December 31, 2013 and 2012, respectively, (of which approximately \$228 is included in long-term debt each year, and the balance is in current portion of long-term debt). The minimum future lease payments, including principal and interest, are approximately \$715 and \$1,574, respectively.

Future Minimum Lease Payments

	Total	2014	2015	2016	2017	2018 & Beyond
Capital Lease Payments	\$ 715	\$ 460	\$ 168	\$ 85	\$ 2	\$ —
Interest	(37)	(28)	(7)	(2)	()	—
Principal	\$ 678	\$ 432	\$ 161	\$ 83	\$ 2	\$ —

9. PROFIT SHARING PLAN

Summer Infant (USA), Inc maintains a defined contribution salary deferral plan (the 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 25% of their

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. PROFIT SHARING PLAN (Continued)

compensation. In 2007, the Company adopted a matching plan which was funded throughout the year. For the years ended December 31, 2013 and 2012, the Company recorded 401(k) matching expense of \$226 and \$196, respectively.

10. MAJOR CUSTOMERS

Three customers generated more than 10% of sales for the year ended December 31, 2013, Toys R Us (31%), Walmart (19%), and Target (11%). Three customers generated more than 10% of sales for the year ended December 31, 2012, Toys R Us (36%), Walmart (19%), and Target (10%). Because of the concentration of our business with these customers and because we have no long term contracts with these customers, our success depends on our customers' willingness to purchase and provide shelf space for our products.

11. 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 December 31, 2013 and 2012 were approximately \$1,847 and \$3,831, respectively.

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 accounts payable and 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

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

agreement. Monthly payments are approximately \$29 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 initial lease term is 10 months of free rent followed by 6 monthly payments of approximately \$64 and escalate over the course of the lease term.

During November 2013, Summer Infant Asia entered into a two year office lease which requires monthly payments of \$9 through October 2015.

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

<u>Year Ending</u>	
December 31, 2014	\$ 1,910
December 31, 2015	1,952
December 31, 2016	1,382
December 31, 2017	360
December 31, 2018	172
Total	<u>\$ 5,776</u>

(a) Amounts exclude payments for Sales-Leaseback transaction as described in Note 5.

Rent expense (excluding taxes, fees and other charges) for the years ended December 31, 2013 and 2012 totaled approximately \$1,915 and \$1,878, respectively.

Employment Contracts

In accordance with United Kingdom and EU law, Summer Infant Europe Limited has employment contracts with all employees. In connection with these contracts, Summer Infant Europe Limited is required to fund the individual pension contributions of certain employees at varying rates from 5% to 10% 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

In 2012, the Company settled a purported class action suit relating to its analog baby video monitors and paid \$1,675 (of which \$506 was covered by insurance) in exchange for a release of all claims by the class members. The Company recorded a \$1,501 charge in the fourth quarter of 2011 relating to the settlement.

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 like to have a material adverse effect on the Company's financial condition or results of operations.

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. 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.

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

	December 31,	
	2013	2012
United States	\$ 174,253	\$ 210,242
All Other	33,920	36,985
	<u>\$ 208,173</u>	<u>\$ 247,227</u>

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

	2013	2012
	United States	\$ 94,033
All Other	21,334	23,896
	<u>\$ 115,367</u>	<u>\$ 140,320</u>

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

	2013	2012
	United States	\$ 30,858
All Other	7,263	6,936
	<u>\$ 38,121</u>	<u>\$ 38,398</u>

13. ACQUISITION OF BORN FREE HOLDINGS LTD.

On March 24, 2011, the Company acquired all of the capital stock of Born Free Holdings Ltd. ("Born Free") pursuant to the terms and conditions of a Stock Purchase Agreement (the "Purchase Agreement") by and among the Company, its wholly owned subsidiary Summer Infant (USA), Inc., Born Free and the stockholders of Born Free. The aggregate consideration paid by the Company to the Born Free stockholders at closing was \$24,607 (subject to adjustment), consisting of \$14,000 in cash and approximately \$10,607 in shares of the Company's common stock, or 1,510,989 shares based on a price per share of \$7.02 (the closing price on the date of acquisition). In addition, the Born Free stockholders could receive earn-out payments upon achievement of certain financial targets over the twelve months subsequent to the acquisition up to a maximum amount of \$13,000, of which up to \$6,500 would be paid in shares of the Company's common stock (or 925,926 shares based on a price per share of \$7.02). A portion of the shares issued at closing was, deposited in escrow for a period of 18 months as security for any breach of the representations, warranties and covenants of Born Free and the Born Free stockholders contained in the Purchase Agreement. On September 30, 2011 the Company received \$1,000 in common stock from the Born Free escrow account due to a preliminary net asset adjustment as defined in the Purchase Agreement. This was accounted for on the balance

SUMMER INFANT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. ACQUISITION OF BORN FREE HOLDINGS LTD. (Continued)

sheet through an increase in acquired accrued liabilities by \$1,000, and increasing treasury stock by \$956 and goodwill by \$44.

On August 15, 2012, the Company settled all outstanding claims related to the net asset adjustment and earn-out provisions in the Purchase Agreement, resulting in a charge to general and administrative expense of approximately \$453. The settlement included finalizing the net asset adjustment in the amount of \$1,400. This adjustment also resulted in an increase to treasury stock of \$327 reflecting additional shares (130,515) returned to the Company. In addition, there was no payment required under the earn-out provision of the Purchase Agreement. As a result of this final settlement, the Company does not expect any future liability under the net asset adjustment or earn-out provisions under the Purchase Agreement.

The results of operations of Born Free are included in the results of the Company from the date of acquisition forward.

14. SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after December 31, 2013 through the date of this Annual Report. No subsequent event disclosures are required.

Index to Exhibits

<u>Exhibit No.</u>	<u>Description</u>
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 Corp., and Summer Infant, Inc., Summer Infant Europe, Limited, Summer Infant Asia, Ltd. and their respective stockholders (Incorporated by reference to Exhibits 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 Exhibits to the Registrant's Quarterly Report on Form 10-Q/A filed on August 18, 2009)
2.3	Lease Agreement, dated March 24, 2009, between Summer Infant (USA), Inc. and Faith Realty II, LLC (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q/A filed on August 18, 2009)
2.4	Agreement and Plan of Merger, dated as of April 18, 2008, by and among Summer (USA), Inc., Kiddo Acquisition Co. Inc., and Kiddopotamus & Company and certain of its stockholders (Incorporated by reference to Exhibits 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 Exhibits 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 Exhibits 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 Exhibits to the Registrant's Current Report on Form 8-K filed on June 7, 2010)
3.3	Amended and Restated Bylaws (Incorporated by reference to Exhibits 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 Exhibits 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 Exhibits 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 on Schedule 14A filed on April 29, 2008, SEC File No. 001-33346)
10.3*	Employment Agreement by and between the Registrant and Jason Macari dated February 1, 2010 (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on February 4, 2010)
10.4	Amended and Restated Credit Agreement, dated August 2, 2010, among the Registrant, Summer Infant (USA), Inc., Kiddopotamus & Company, Bank of America, N.A., as administrative agent, swing lender, and L/C issuer, and RBS Citizens, National Association, as Collateral Agent, and other lenders thereto (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q filed on August 9, 2010)

<u>Exhibit No.</u>	<u>Description</u>
10.5	First Amendment to Amended and Restated Credit Agreement, dated as of March 24, 2011, among the Registrant, Summer Infant (USA), Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender, and L/C Issuer, and RBS Citizens, National Association, as Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Lead Arranger and Book Manager (Incorporated by reference to Exhibits to the

- 10.6 Second Amendment to Amended and Restated Credit Agreement, dated as of November 9, 2011, among the Registrant, Summer Infant (USA), Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender, and L/C Issuer, and RBS Citizens, National Association, as Collateral Agent (Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed on February 29, 2012)
- 10.7 Third Amendment to Amended and Restated Credit Agreement, dated as of May 11, 2012, among the Registrant, Summer Infant (USA), Inc., Bank of America, N.A., as Administrative Agent, and RBS Citizens, National Association, as Collateral Agent (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q filed on May 14, 2012)
- 10.8 Fourth Amendment to Amended and Restated Credit Agreement, dated as of November 7, 2012, among the Registrant, Summer Infant (USA), Inc., Bank of America, N.A., as Administrative Agent, and RBS Citizens, National Association, as Collateral Agent (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on November 13, 2012)
- 10.9 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 Exhibits to the Registrant's Current Report on Form 8-K filed March 4, 2013)
- 10.10 Amendment No. 1, dated April 10, 2013, to Loan and Security Agreement dated as of February 28, 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 Exhibits to the Registrant's Quarterly Report on Form 10-Q filed November 14, 2013)
- 10.11 Amendment No. 2, dated November 8, 2013, to Loan and Security Agreement dated as of February 28, 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 Exhibits to the Registrant's Quarterly Report on Form 10-Q filed November 14, 2013)
- 10.12 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 Exhibits to the Registrant's Current Report on Form 8-K filed March 4, 2013)
- 10.13 Amendment No. 1, dated November 8, 2013, to Term Loan Agreement dated as of February 28, 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 Exhibits to the Registrant's Quarterly Report on Form 10-Q filed November 14, 2013)

<u>Exhibit No.</u>	<u>Description</u>
10.14	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 Exhibits to the Registrant's Current Report on Form 8-K filed March 4, 2013)
10.15*	Offer Letter and Change of Control Agreement between the Registrant and David S. Hemendinger (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on October 19, 2011)
10.16*	Non-Qualified Stock Option Agreement between the Registrant and David S. Hemendinger (Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed on February 29, 2012)

- 10.17* Restricted Stock Award Agreement between the Registrant and David S. Hemendinger (Incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K filed on February 29, 2012)
- 10.18* Offer Letter from the Registrant to Edmund J. Schwartz (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on March 8, 2012)
- 10.19* First Amendment to Offer Letter by and between the Registrant and Edmund J. Schwartz (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on May 8, 2012)
- 10.20* 2012 Incentive Compensation Plan (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on June 18, 2012)
- 10.21* Offer Letter and Change of Control Agreement by and between the Registrant and Paul Francese (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on September 13, 2012)
- 10.22* Non-Qualified Stock Option Agreement between the Registrant and Paul Francese (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2012)
- 10.23* Restricted Stock Award Agreement between the Registrant and Paul Francese (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2012)
- 10.24* Offer Letter and Change of Control Agreement by and between the Registrant and Elizabeth Jackson (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q filed May 14, 2013)
- 10.25* Form of Change of Control Agreement with Chief Financial Officer, Chief Operating Officer and other key employees (Incorporated by reference to Exhibits to the Registrant's Quarterly Report on Form 10-Q filed November 14, 2013)
- 10.26* Separation Agreement and Release, dated as of January 15, 2014, by and between the Registrant and Jason Macari (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on January 17, 2014)
- 10.27* Employment Agreement, dated as of January 16, 2014, by and between Summer Infant, Inc. and Carol Bramson (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on January 17, 2014)
- 10.28* Summer Infant, Inc. Form of Indemnification Agreement (for officers and directors) (Incorporated by reference to Exhibits to the Registrant's Current Report on Form 8-K filed on January 17, 2014)

<u>Exhibit No.</u>	<u>Description</u>
10.29*	Offer Letter and Change of Control Agreement by and between the Registrant and Kenneth Price
21.1	List of Subsidiaries (Incorporated by reference to Exhibits 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
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.

January 13, 2014

Private and Confidential

Kenneth Price
[Address]
[Address]

Dear Kenneth:

Further to recent discussions in respect of your employment with Summer Infant (USA), Inc. (“Summer”), Summer is pleased to offer you a full-time position as President of Global Sales and Marketing commencing on January 13, 2014. This offer is being extended in consideration of the mutual covenants and agreements contained in this letter (“Letter”), which sets forth our mutual understanding and agreement regarding your employment with Summer pursuant to the following terms and conditions. All offers of employment are conditional, subject to satisfactory results of background investigation, reference checks, pre-employment alcohol and drug tests, and production of documents sufficient to demonstrate identity and authorization to work.

Position and Responsibilities:

Your employment with Summer will commence on January 13, 2014. Your responsibilities will include, but are not limited to, President of Global Sales and Marketing for Summer and in such capacity you shall generally oversee the sales and marketing of Summer’s product lines, managing Summer’s sales and marketing staff, assisting Summer in the preparation of sales projections and operating budgets, and such other duties and responsibilities as may from time to time be assigned to you by the President and CEO of Summer, commensurate with your title and position described in this sentence. During your employment you shall report directly to the President and CEO of Summer. The duties and services to be performed by you are collectively referred to herein as the “Services”.

You agree that you shall at all times conscientiously perform all of the duties and obligations assigned to you to the best of your ability and experience and in compliance with law. You shall perform your duties mainly out of an office located in your New York home, provided, that, your duties shall include reasonable periodic travel to Summer’s headquarters located in Woonsocket, Rhode Island (expected to be a minimum of 5 days per month), and shall include reasonable travel in the United States and abroad, including attendance at various trade shows, as is reasonably necessary and appropriate to the performance of your duties and responsibilities. Summer will reimburse you

for your train and/or air travel expenses incurred in traveling to Summer's headquarters. In addition, Summer will arrange and pay for reasonable accommodations for you in Rhode Island if required.

You agree to use your best efforts to promote the interests of Summer and to devote your full business time and energies to the business and affairs of Summer and the performance of your Services. You represent and warrant to Summer that your execution of this Letter and the performance of your Services to Summer shall not violate any obligations you may have to any former employer, person or entity, including, without limitation, any restrictive obligations that would prevent you from the performance of your Services to Summer or any obligation with respect to proprietary or confidential information of any other person or entity.

Compensation :

You will receive a bi-weekly (every two weeks) base salary of \$ **13,461.54** (annualized equivalent of **\$350,000**), subject to applicable withholding and other lawful deductions.

In addition to your base salary, you will be eligible to participate in Summer's annual STI (Short Term Incentive) bonus program with a target equal to **50%** of your base salary compensation. This plan provides the opportunity to earn a bonus up to 100% of your base salary (*double your targeted bonus*) based on Summer and personal performance. For calendar year 2014 only, provided that you are employed by Summer on the last calendar day of 2014, you will receive a minimum STI bonus for Plan Year 2014 of \$50,000.00, subject to applicable withholding and other lawful deductions, payable on or before April 15, 2015.

You will also be eligible to participate in the company's long-term incentive plan, and, subject to the approval of the Compensation Committee ("Compensation Committee") of the Board of Directors of Summer Infant, Inc. ("Parent") will be granted **75,000 stock options**, plus **25,000 shares of restricted stock** in accordance with the Parent's 2012 Incentive Compensation Plan. We have agreed that this restricted stock will vest 100% on the first anniversary from date of grant (*commencement date of employment*), and the stock options will vest in 3 equal annual installments over a three year period, with the first one-third vesting on the first anniversary from date of grant (*commencement date of employment*).

The specific mix and number of equity awards granted in future years as part of Summer's annual equity grant program will be determined annually in line with the 2012 Incentive Compensation Plan and at the discretion of the Parent's Board of Directors. For fiscal year 2014, you will receive a grant of no less than 37,500 stock options and no less than 12,500 shares of restricted stock if Summer attains a minimum pre-bonus EBITDA threshold of \$16 million for fiscal year 2014 performance targets, subject to (i) the approval of the Compensation Committee, the availability of a sufficient number of shares under the 2012 Incentive Compensation Plan at the time of the grant, and (ii) that you are employed by Summer at the time of the grant and at the time when the Parent's Board of Directors determines that the performance targets for the 2014 fiscal year have been met. Such equity awards will be granted at a time and in a manner consistent with the overall annual equity grant process for all Summer employees, and EBITDA will be calculated in the same manner as for all annual grants for the 2014 performance year. You understand that awards based on fiscal year 2014 performance will not be eligible for accelerated vesting under the CC Agreement (as hereinafter defined) until such awards have been granted in accordance with the 2012 Incentive Compensation Plan.

Performance Review and Benefits:

You will be eligible for a performance and salary review in February 2015. We have agreed that if Summer attains a minimum pre-bonus EBITDA threshold of \$16 million in 2014 (determined in the same manner as the annual equity awards noted above), you will receive a 2015 merit increase to your base salary of not less than 5%.

You will also be eligible for Summer's standard executive benefits subject to plan eligibility requirements. Summer's current benefits include **Medical benefits, Dental benefits, Vision Care**, (*available the first of the month following your date of hire*), a **401K plan and match program** (*after 90 days*), **Long-Term Disability** (*after 90 days*), a **Flexible Spending Account**, a **Tuition Reimbursement Program** (*if eligible*), **generous Product Discounts** and **20 days of Paid Time Off** per year, accrued at a rate of 6.15 hours bi-weekly (*PTO includes vacation, sick and personal time*).

Summer will also provide you with a monthly automobile allowance of \$750.00 per month, payable via payroll on the last pay date of each month.

Governing Law/At Will Employment:

Your employment with Summer shall be governed by and interpreted in accordance with the laws of the State of Rhode Island. By execution and delivery of this Letter, you irrevocably submit to and accept the exclusive jurisdiction of the courts in the State of Rhode Island and waive any objection (including any objection to venue or any objection based upon the grounds of forum non conveniens) which might be asserted against the bringing of any such action, suit or other legal proceeding in such courts.

While it is Summer's desire to have a long term employment relationship with you, your employment with Summer is "at will", in that either you or Summer have the right to terminate the employment relationship at any time, with or without cause. This status may only be altered by written agreement, which is specific as to all material terms and is signed by an authorized officer of Summer. The terms of this employment letter do not, and are not, intended to create either an express and/or implied contract of employment with Summer for a definitive term.

Notwithstanding the foregoing, in the event that your employment is terminated by Summer without cause or in the event that you terminate your employment with Summer for Good Reason (as hereinafter defined), then you shall be entitled to receive your base salary, then in effect, for a period of twelve months following the termination of your employment payable in accordance with Summer's customary payroll periods and practices and shall be less applicable taxes and withholdings (the "Severance Consideration"). You shall not be entitled to receive the Severance Consideration in the event that: (i) you voluntarily leave your employment for whatever the reason other than for Good Reason, (ii) your employment is terminated for Cause (as hereinafter defined), or (iii) as the result of your death or Disability (as hereinafter defined).

You acknowledge and agree that Summer's obligation to pay to you the Severance Consideration shall be conditioned upon you executing a General Release and Termination Agreement in favor of Summer.

“ **Cause** ” means the occurrence of one or more of the following: (i) your willful and continued failure to substantially perform your Services for Summer, which failure continues for a period of at least thirty (30) days after written demand for substantial performance has been delivered by Summer to you which specifically identifies the manner in which you have failed to substantially perform your Services; (ii) your willful conduct which constitutes misconduct and is materially and demonstrably injurious to Summer, as determined in good faith by a vote of at least two-thirds of the non-Executive directors of the Board at a meeting of the Board at which you are provided an opportunity to be heard; (iii) your being convicted of, or pleading nolo contendere to a felony; or (iv) your being convicted of, or pleading nolo contendere to a misdemeanor based in dishonesty or fraud.

“ **Disability** ” means that you have been unable to perform the Services as the result of your incapacity due to physical or mental illness, and such inability, at least four (4) weeks after its commencement, is determined to be total and permanent by a physical selected by Summer or its insurers and acceptable to you or your legal representative (such Agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be affected after at least thirty (30) days’ written notice by Summer of its intention to terminate your employment. In the event that you resume the performance of substantially all of the Services hereunder before the termination of your employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

“ **Good Reason** ” means (i) the material diminution in your authority, duties or responsibilities; (ii) if Summer requires your relocation to a location more than thirty (30) miles from your current home office location as of the commencement date of your employment with Summer; (iii) a material diminution in your annual base salary as in effect immediately prior to such diminution, other than in connection with a general diminution in Summer’s compensation levels and in amounts commensurate with the percentage diminutions of other Summer employees of comparable seniority and responsibility; or (iv) if applicable, any other action or inaction which constitutes a material breach by Summer of an agreement with you pursuant to which you provide services to Summer.

No violation described in clauses (i) through (iv) above shall constitute Good Reason unless you have given written notice to Summer specifying the applicable clause and related facts giving rise to such violation within ninety (90) days after the occurrence of such violation and Summer has not remedied such violation to your reasonable satisfaction within thirty (30) days of its receipt of such notice.

In addition, you will be entitled to protection against a change of control of Summer pursuant to the terms of a Change of Control Agreement in the form attached hereto as *Exhibit 1* (the “CC Agreement”). The CC Agreement provides you, upon the occurrence of an event constituting a Change of Control, with certain Severance Benefits (as defined in the CC Agreement). In consideration of the Severance Benefits, you will be required to abide by the restrictive covenants contained in the CC Agreement. As a condition to your employment you will be required to execute and deliver the CC Agreement to Summer on the commencement date of your employment.

Employment Documentation:

Your employment with Summer is contingent upon your submission of satisfactory proof of your identity and legal authorization to work in the United States as well as completion of all

employment related forms required by Summer. If you fail to provide satisfactory documentation, federal law prohibits Summer from hiring you.

Expense Reimbursement:

Summer will pay and/or reimburse you for all expenses reasonably and necessarily incurred by you in the performance of your services while employed by Summer, including reasonable and customary travel related expenses consistent with Summer's corporate travel policy. Pursuant to Summer's corporate travel policy, you may travel business class for air travel having a duration of 5 or more hours of flight time. Such payment/reimbursement shall be made upon presentation of such receipts or other documentation, as Summer customarily requires prior to making such payment or reimbursement.

Employment Manual :

During your employment with Summer you will be required to abide by Summer's code of conduct, policies and procedures as set forth in Summer's Executive manual or as otherwise communicated to you in writing.

Restrictive Covenants:

Please be advised that by accepting this offer of employment and in consideration of your employment with Summer, the grant of stock options and restrictive stock in accordance with the terms hereof, and the Severance Consideration, you are agreeing to be bound by and adhere to the terms and conditions set forth in Appendix A, attached hereto and incorporated herein, which terms and conditions form a material condition to Summer in extending this Letter to you.

Code Section 409A:

If any provision of this Letter (or of any payment of compensation, including benefits) would cause you to incur any additional tax or interest under Internal Revenue Code of 1986, as amended ("Code"), Section 409A or any regulations or Treasury guidance promulgated thereunder, Summer shall, after consulting with you, reform such provision to comply with Code Section 409A; provided that Summer agrees to make only such changes as are necessary to bring such provisions into compliance with Code Section 409A and to maintain, to the maximum extent practicable, the original intent and economic benefit to you of the applicable provision without violating the provisions of Code Section 409A.

Notwithstanding any provision to the contrary in this Letter, if you are deemed on the date of termination of employment to be a "**specified employee**" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is required to be delayed in compliance with Section 409A(a)(2)(B) such payment or benefit shall not be made or provided (subject to the last sentence hereof) prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of your "**separation from service**" (as such term is defined in Treasury Regulations issued under Code Section 409A) or (ii) the date of your death (the "**Deferral Period**"). Upon the expiration of the Deferral Period, all payments and benefits deferred pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or reimbursed to you in a lump sum, and

any remaining payments and benefits due under this Letter shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to you that would not be required to be delayed if the premiums therefor were paid by you, you shall pay the full cost of premiums for such welfare benefits during the Deferral Period and Summer shall pay (or cause to be paid) to you an amount equal to the amount of such premiums paid by you during the Deferral Period promptly after its conclusion.

Any reimbursements by Summer to you of any eligible expenses under this Letter that are not excludable from your income for Federal income tax purposes (the “**Taxable Reimbursements**”) shall be made by no later than the earlier of the date on which they would be paid under Summer’s normal policies and the last day of your taxable year following the year in which the expense was incurred. The amount of any Taxable Reimbursements, and the value of any in-kind benefits to be provided to you, during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. The right to Taxable Reimbursements, or in-kind benefits, shall not be subject to liquidation or exchange for another benefit.

Payment of any Taxable Reimbursements under this Letter must be made by no later than the end of your taxable year following the taxable year in which you remit the related taxes.

Legal Expenses:

Summer has agreed to make a contribution, not to exceed \$5,000.00, towards your legal expenses in reviewing this Letter, Appendix A and Exhibit 1. Payment will be made to your legal counsel following completion and execution of this Letter, Appendix A and Exhibit 1, within 30 days of production to Summer of an appropriate fee breakdown and invoice.

SEC Compliance :

For purposes of Securities and Exchange Commission (“SEC”) reporting, you will be deemed an “executive officer” and are subject to the rules and requirements of Section 16 of the Securities Exchange Act of 1934. You understand and agree that you will keep the terms and conditions of your employment confidential until such time as your employment is publicly disclosed by Parent as required by applicable SEC rules and regulations.

Return of Letter:

We are excited about this opportunity to work with you to build the Summer Brand and Business. To accept this offer, please sign and date this Letter below (*as well as **Appendix A and Exhibit 1***), keep a copy for your records, and return a copy to Human Resources. We are extremely confident that your employment with us will prove mutually beneficial and we look forward to having you join our winning team!

Very truly yours,

Summer Infant USA, Inc.

By: /s/ Mark Strozik

Name: Mark Strozik
Title: Senior Vice President / Human Resources

I accept your offer of employment as set forth in this Letter and agree to be bound by the terms and conditions set forth in Appendix A, attached hereto. I understand that my employment is "at will" and that either you or I can terminate my employment at any time, for any reason. No oral commitments have been made concerning my employment.

Kenneth Price
Executive Name (please print)

/s/ Kenneth Price
Executive Signature

January 14, 2014
Date

APPENDIX A

Non-Competition, Non-Disclosure and Developments Agreement

This Non-Competition, Non-Disclosure and Developments Agreement ("Agreement") is entered in this 13th day of January, 2014 ("Effective Date") by Kenneth Price ("Executive") for the benefit of Summer (as hereinafter defined) in consideration of: (i) the Executive's employment with Summer Infant (USA), Inc. ("Summer"), (ii) the grant of the stock options and restricted stock, and (iii) the Severance Consideration all on the terms and conditions set forth in the Letter to which this Agreement is attached. The Executive covenants and agrees as follows:

Whenever used herein, the word "Summer shall include the parent company, Summer Infant, Inc., and the subsidiary and affiliated companies, Summer Infant Canada, Limited, Summer Infant Europe Ltd., Summer Infant Asia Limited, Summer Infant Australia Pty Ltd and Born Free, Inc. (collectively "Summer").

1. Consideration for Agreement.

Executive acknowledges that he is being hired by Summer as President / Global Sales and Marketing and in connection with his duties and responsibilities at Summer and in consideration of Executive's promises in this Agreement, Summer will provide Executive with access to certain Confidential Information and the opportunity to develop and maintain relationships and good will with Summer's customers, vendors, consultants and contractors. Accordingly in consideration of Executive's employment with Summer, the grant of the stock options and the shares of restricted stock and the Severance Benefits, all on the terms and conditions set forth in the Letter, the Executive hereby agrees with Summer to comply with the terms of this Agreement.

2. Definitions.

In addition to the capitalized terms used in the Letter and as used and defined elsewhere in this Agreement, the following capitalized terms used in this Agreement shall, for purposes of this Agreement, have the meanings set forth below.

"**Business Partner**" means a supplier, manufacturer, vendor or licensor (person or entity) with whom Summer, Parent or any of their respective Affiliates has a business relationship and with which Executive had business-related contact or dealings, or about which Executive received Confidential Information, during the two years prior to the termination of Executive's employment with Summer or during Executive's employment, whichever is the shorter period. A Business Partner does not include a supplier, manufacturer, vendor or licensor that has fully and finally decided to terminate its business relationship with Summer, Parent or any of their respective Affiliates independent of any conduct or communications by Executive or breach of this Agreement, and which has, in fact, ceased doing any business with Summer, Parent or any of their respective Affiliates.

"**Competition**" and/or "**Engaging in Competition**" means providing services to a Competitor of Summer (whether as an Executive, independent contractor, consultant, principal, agent, partner, officer, director, investor, or shareholder, except as a shareholder of less than one

percent of a publicly traded company) that: (i) are the same or similar in function or purpose to the Services Executive provided to Summer during his employment by Summer, and/or (ii) will likely result in the disclosure of Confidential Information to a Competitor or the use of Confidential Information on behalf of a Competitor.

“**Competitor**” means any person, corporation or other entity that designs, manufactures, sells or distributes infant, juvenile and/or children’s health, safety and wellness products in one or more product categories that are sold by the Company, Parent or any of their respective Affiliates, including, without limitation, products in the monitoring, health and safety, nursery, baby gear, feeding and furniture product categories.

“**Confidential Information**” shall be as defined in Section 3(a) of this Agreement.

“**Consulting Services**” means any activity that involves providing consulting or advisory services with respect to any relationship between the Company, Parent or any of their respective Affiliates, on the one hand, and any third party, on the other hand, and that is likely to result in the use or disclosure of Confidential Information.

“**Person**” means any natural person or entity with legal status.

“**Restrictive Area**” refers to the United States, Canada, Mexico, United Kingdom, Australia and any other country where Summer sells its products.

“**Restricted Period**” means the one (1) year period of time after termination of the Executive’s employment with Summer, for whatever the reason of such termination.

3. **Restrictive Covenants**

The Executive acknowledges that in order to assure Summer that it will retain the value of its business relationships, it is reasonable that the Executive be limited in utilizing trade secrets and other confidential information of Summer, Executive’s special knowledge of the business of Summer and Executive’s relationships with customers, suppliers and others having business relationships with Summer in any manner or for any purpose other than the advancement of the interests of Summer, as hereinafter provided. The Executive acknowledges that Summer would not enter into the Letter and provide the benefits provided for therein without the covenants and agreements of the Executive set forth in this Section 3

(a) **Confidentiality**. The Executive acknowledges that in the course of the Executive’s employment with Summer, it is expected that the Executive will have extensive contact with Persons with which Summer has, had or anticipates having business relationships (including current and anticipated customers and suppliers), and to have knowledge of and access to trade secrets and other proprietary and confidential information of Summer, including, without limitation, the following non-public information: trade secrets, proprietary formulations generated, developed or licensed by Summer, manufacturing processes, procedures and techniques, material costing, operating margins, details of customer agreements, new product development, expansion strategies, sources of supply, Executive compensation, and confidential information of third parties which is given to Summer pursuant to an obligation or agreement to keep such information confidential or any other information

relating to Summer that could reasonably be regarded as confidential or proprietary or which is not in the public domain (other than by reason of Executive's breach of the provisions of this section) (collectively, "**Confidential Information**"). Accordingly, the Executive shall not at any time, either during the time Executive is employed by Summer or thereafter, use or purport to authorize any Person to use, reveal, report, publish, transfer or otherwise disclose to any Person, any Confidential Information without the prior written consent of Summer, except for disclosures by the Executive required by applicable law (but only to the extent Summer is given a reasonable opportunity to object to such disclosure and protect the Confidential Information) to responsible officers of Summer and other responsible Persons who are in a contractual or fiduciary relationship with Summer and who have a need for such information for purposes in the best interests of Summer. Without limiting the generality of the foregoing, the Executive shall not, directly or indirectly, disclose or otherwise make known to any Person any information as to Summer's employees and others providing services to the Company, including with respect to their abilities, compensation, benefits and other terms of employment or engagement. The Executive shall keep secret all such matters entrusted to Executive, and Executive shall not use or attempt to use any Confidential Information on behalf of any person or entity other than Summer, or in any manner which may injure or cause loss or may be calculated to injure or cause loss, whether directly or indirectly, to Summer.

Further, Executive agrees that, during his employment, Executive shall not make, use, or permit to be used, any notes, memoranda, reports, lists, records, specifications, software programs, data, documentation or other materials of any nature relating to any matter within the scope of the business of Summer or concerning any of its dealings or affairs other than for the benefit of Summer. Executive further agrees that he shall not, after the termination of his employment, use or permit to be used any such notes, memoranda, reports, lists, records, specifications, software programs, data, documentation or other materials. All of the foregoing shall be and remain the sole and exclusive property of Summer, and immediately upon the termination of Executive's employment, Executive shall deliver all of the foregoing, and all copies thereof, to Summer at its main office.

(b) **Restriction on Competition**. During the Executive's employment with Summer and thereafter during the Restricted Period, the Executive shall not, directly or indirectly, whether alone or in association with others, engage in Competition or provide Consulting Services within the Restricted Area.

(c) **Non-Interference**. During the Executive's employment with Summer and thereafter during the Restricted Period, the Executive shall not, interfere with Summer's relationship with its Business Partners by soliciting or communicating (regardless of who initiates the communication) with a Business Partner to induce or encourage the Business Partner to stop doing business or reduce its business with Summer, unless a duly authorized officer of Summer gives Executive written authorization to do so. Executive also agrees that during the Non-Interference Period, he will not work on a Summer account on behalf of a Business Partner or serve as the representative of a Business Partner for Summer. During the Restrictive Period, Executive also will not interfere with Summer's relationship with any employee of Summer by: (i) soliciting or communicating with such employee to induce or encourage him or her to leave Summer's employ (regardless of who first initiates the communication); (ii) helping another person or entity evaluate such employee as an employment candidate; or (iii) otherwise helping any person or entity hire an employee away from Summer unless a duly authorized officer of Summer gives Executive written authorization to do so. Where required by law, the foregoing restriction will only apply to employees with whom Executive

had material contact or about whom Executive received Confidential Information within the shorter period of Executive's employment with Summer or during the last two years prior to the termination of Executive's employment with Summer.

(d) **Non-disparagement**. The Executive shall not at any time, either during the time Executive is employed by Summer or thereafter, directly or indirectly, engage in any conduct or make any statement, whether in commercial or noncommercial speech, disparaging or criticizing in any way Summer (including its directors and employees and others providing services to Summer), or any of its products or services, nor shall the Executive engage in any other conduct or make any other statement that could reasonably be expected to impair the goodwill of any of them, the reputation of any products or services of Summer or the marketing of such products or services, in each case except as may be required by law, and then only after consultation with Summer to the extent possible.

(e) **Assignment of Inventions**. Executive agrees that he will promptly make full written disclosure to Summer, will hold in trust for the sole right and benefit of Summer, and hereby assigns to Summer, or its designee, all Executive's right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether or not patentable or registrable under copyright or similar laws, which Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, while in the course of his employment for Summer during the period of time Executive is in the employ of Summer and relating to the business of Summer (collectively referred to as "***Inventions***"). Executive further acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of and during the period of Executive's employment with Summer and which are protectable by copyright are "works made for hire," and as such are the sole property of Summer. Executive understands and agrees that the decision whether or not to commercialize or market any Invention developed by Executive solely or jointly with others is within Summer's sole discretion and for Summer's sole benefit and that no royalty will be due to Executive as a result of Summer's efforts to commercialize or market any such Invention.

4. **Remedies**. The Executive agrees that the restrictions set forth in Section 3, including the length of the Restricted Period, the geographic area covered and the scope of activities proscribed, are reasonable for the purposes of protecting the value of the business and goodwill of Summer and Parent. The Executive acknowledges that compliance with the restrictions set forth in Section 3 will not prevent Executive from earning a livelihood, and that in the event of a breach by the Executive of any of the provisions of Section 3, monetary damages would not provide an adequate remedy to Summer. Accordingly, the Executive agrees that, in addition to any other remedies available to Summer, Summer shall be entitled to seek injunctive and other equitable relief (without having to post bond or other security and without having to prove damages or the inadequacy of available remedies at law) to secure the enforcement of these provisions, and shall be entitled to receive reimbursement from the Executive for attorneys' fees and expenses incurred by it in enforcing these provisions. In addition to its other rights and remedies hereunder, Summer shall have the right to require the Executive to account for and pay over to it all compensation, profits, money, accruals and other benefits derived or received, directly or indirectly, by the Executive from any breach of the covenants of Section 3, and may set off any such amounts due it from the Executive against any amounts otherwise due Executive from Summer. If the Executive breaches any covenant set forth in Section 3, the running of the Restricted Period as to such covenant only shall be tolled for so long as

such breach continues. It is the desire and intent of the parties that the provisions of Sections 3 and 4 be enforced in full; however, if any court of competent jurisdiction shall at any time determine that, but for the provisions of this paragraph, any part of this Agreement relating to the time period, scope of activities or geographic area of restrictions is invalid or unenforceable, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable with respect only to the jurisdiction in which such adjudication is made. If any other part of this Agreement is determined by such a court to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

5. **Cooperation** .

(a) In the event that Executive receives a subpoena, deposition notice, interview request, or other process or order to produce Confidential Information or any other property of Summer, Executive shall promptly: (a) notify Summer of the item, document, or information sought by such subpoena, deposition notice, interview request, or other process or order; (b) furnish Summer with a copy of said subpoena, deposition notice, interview request, or other process or order; and (c) provide reasonable cooperation with respect to any procedure that Summer may initiate to protect Confidential Information or other interests. If Summer objects to the subpoena, deposition notice, interview request, process, or order, Executive shall cooperate to ensure that there shall be no disclosure until the court or other applicable entity has ruled upon the objection, and then only in accordance with the ruling so made. If no such objection is made despite a reasonable opportunity to do so, Executive shall be entitled to comply with the subpoena, deposition, notice, interview request, or other process or order provided that Executive has fulfilled the above obligations.

(b) Executive agrees to cooperate fully with Summer and their legal counsel in connection with any action, proceeding, or dispute arising out of matters with which Executive was directly or indirectly involved while serving as an Executive of Summer. This cooperation shall include, but shall not be limited to, meeting with, and providing information to, Summer and its legal counsel, maintaining the confidentiality of any past or future privileged communications with Summer's legal counsel and making himself available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of Summer. Summer agrees to reimburse Executive for any reasonable and necessary out-of-pocket costs associated with Executive's cooperation.

6. **Entire Agreement/No Reliance/No Modifications** .

This Agreement sets forth the entire agreement between the parties hereto and fully supersedes any and all prior and/or supplemental understandings, whether written or oral, between the parties concerning the subject matter of this Agreement. Executive agrees and acknowledges that he has not relied on any representations, promises or agreements of any kind in connection with his decision to accept the terms of this Agreement, except for the representations, promises and agreements herein. Any modification to this Agreement must be made in writing and signed by Executive and Summer's head of Human Resources or his authorized representative.

7. **No Waiver.**

Any waiver by Summer of a breach of any provision of this Agreement, or of any other similar agreement with any other current or former Executive of Summer, shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

8. **Severability.**

Nothing contained herein shall be construed to require the commission of any act contrary to law. Should there be any conflict between any provisions hereof and any present or future statute, law, ordinance, regulation or other pronouncement having the force of law, the latter shall prevail, but the provision of this Agreement affected thereby shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law, and the remaining provisions of this Agreement shall remain in full force and effect.

9. **Survival of Executive's Obligations.**

Executive's obligations under this Agreement shall survive the termination of his employment regardless of the manner of such termination and shall be binding upon Executive's heirs, personal representatives, executors, administrators and legal representatives.

10. **Summer's Right to Assign Agreement.**

Executive acknowledges and agrees that Summer has the right to assign this Agreement to its successors and assigns without the need for further agreement or consent by Executive, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by said successors or assigns.

11. **Governing Law.**

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Rhode Island.

12. **Tolling.**

In the event Executive violates one of the time-limited restrictions in this Agreement, Executive agrees that the time period for such violated restriction shall be extended by one day for each day he/she have violated the restriction, up to a maximum extension equal to the length of the original period of the restricted covenant.

IN WITNESS WHEREOF, the Executive has executed this Agreement as of the date set forth below his.

Executive:

/s/ Kenneth Price

Signature

Print Name: Kenneth Price

Address:

Date: January 14, 2014

EXHIBIT 1

CHANGE OF CONTROL AGREEMENT

This Change of Control Agreement (the “*Agreement*”), dated this day of January, 2014 (the “*Effective Date*”), is entered into by and between Summer Infant (USA), Inc., a Rhode Island corporation (the “*Company*”), and the Employee of the Company named on the signature page hereto (the “*Employee*”).

Preliminary Statements

The Board of Directors (the “*Board*”) of the parent company, Summer Infant, Inc. (“Parent”), and the Company have determined that it is in the best interest of the Parent, its stockholders and the Company to assure itself of the continued availability of the services of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as herein defined).

In order to provide the Employee with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Employee with certain severance benefits upon a Change of Control.

Agreement

In consideration of the foregoing premises and the respective covenants and agreements of the parties set forth below, and intending to be legally bound hereby, the parties agree as follows:

1. Incentive for Continuous Employment. If, prior to the last day of the 12th full calendar month following the consummation of an event constituting a Change of Control (it being recognized that more than one event constituting a Change of Control may occur in which case the 12-month period shall run from the date of occurrence of each such event), (a) the Company terminates the Employee’s employment other than (i) for Cause (as herein defined), or (ii) because of the Employee’s Disability (as herein defined) or death, or (b) the Employee terminates his employment for Good Reason (as herein defined) (any such termination in clauses (a) or (b) being referred to as a “*Payment Event*”), then after such termination the Employee shall be entitled to receive from the Company the following cash payments (together, the “*Payments*”): (1) an amount equal to the Employee’s annual Base Salary (as herein defined) multiplied by the payment percentage provided for on Schedule 1 attached to this Agreement (“Schedule 1”), and (2) the amount equal to the Employee’s annual targeted STI (Short Term Incentive) bonus multiplied by the payment percentage provided for on Schedule 1 attached to this Agreement (“Schedule 1”).

The Payments will be payable by the Company commencing on the 61st day following the Payment Event, provided that Employee has executed and submitted a release of claims required in Section 9(s) on or before the 60th day following the Payment Event, in installments over the Restricted Period in accordance with the Company’s regular payroll practices. In addition, the Employee shall be entitled to (i) the immediate vesting of all outstanding equity awards (including restricted stock grants and stock options) and (ii) the severance benefits listed on Schedule 1 (the “*Severance Benefits*”). The Employee shall not be entitled to: (A) any Payment, (B) immediate vesting of equity awards or (C) any Severance Benefits if the Employee terminates the Employee’s

employment without Good Reason, if the Employee's employment is terminated for Cause or if the Employee's employment ceases as a result of Employee's death or Disability.

2. Definitions. In addition to the capitalized terms used and defined elsewhere in this Agreement, the following capitalized terms used in this Agreement shall, for purposes of this Agreement, have the meanings set forth below.

“**Affiliate**” means any Person that, directly or indirectly, controls, is controlled by or is under common control with such Person, and with respect to any natural person, includes the members of such person's immediate family (spouse, children and parents, whether by blood, marriage or adoption, or anyone residing in such person's home).

“**Base Salary**” means the Employee's annual base salary as in effect at the time of such termination, and the Base Salary calculated for purposes of this Agreement shall not reflect any voluntary salary reductions that may be in effect at the time of such termination.

“**Business Partner**” means a supplier, manufacturer, vendor or licensor (person or entity) with whom the Company, Parent or any of their respective Affiliates has a business relationship and with which Employee had business-related contact or dealings, or about which Employee received Confidential Information, during the two years prior to the termination of Employee's employment with the Company or during Employee's employment, whichever is the shorter period. A Business Partner does not include a supplier, manufacturer, vendor or licensor that has fully and finally decided to terminate its business relationship with the Company, Parent or any of their respective Affiliates independent of any conduct or communications by Employee or breach of this Agreement, and which has, in fact, ceased doing any business with the Company, Parent or any of their respective Affiliates.

“**Cause**” means the occurrence of one or more of the following: (i) Employee's willful and continued failure to substantially perform Employee's reasonably assigned duties with the Company (other than any such failure resulting from incapacity due to disability or from the assignment to Employee of duties that would constitute Good Reason), which failure continues for a period of at least thirty (30) days after written demand for substantial performance has been delivered by the Company to the Employee which specifically identifies the manner in which the Employee has failed to substantially perform his duties; (ii) Employee's willful conduct which constitutes misconduct and is materially and demonstrably injurious to the Company, as determined in good faith by a vote of at least two-thirds of the non-employee directors of the Board at a meeting of the Board at which the Employee is provided an opportunity to be heard; (iii) Employee being convicted of, or pleading nolo contendere to a felony; or (iv) Employee being convicted of, or pleading nolo contendere to a misdemeanor based in dishonesty or fraud.

“**Change of Control**” means (i) individuals who, as of the Effective Date, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Parent's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Parent, as such terms are used in Regulation 14A promulgated under the Securities Exchange Act of 1934) shall be considered as though such

individual was a member of the Incumbent Board; or (ii) the approval by the stockholders of the Parent of a reorganization, merger, consolidation or other form of corporate transaction or series of transactions (but not including an underwritten public offering of the Parent's common stock or other voting securities (or securities convertible into voting securities of the Parent) for the Parent's own account registered under the Securities Act of 1933), in each case, with respect to which Persons who were stockholders of the Parent immediately prior to such reorganization, merger, consolidation or other corporate transaction do not, immediately thereafter, own more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated entity's then outstanding voting securities, (iii) a liquidation or dissolution of the Parent or the sale of all or substantially all of the assets of the Parent (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned or terminated prior to being consummated); or (iv) the acquisition by any Person, entity or "**group**", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, of more than fifty percent (50%) of either the then outstanding shares of the Parent's common stock or the combined voting power of the Parent's then outstanding voting securities entitled to vote generally in the election of directors (hereinafter referred to as a "**Controlling Interest**") excluding any acquisitions by (x) the Parent or any of its Affiliates or (y) any employee benefit plan (or related trust) sponsored or maintained by the Parent or any of its Affiliates.

"**Competition**" and/or "**Engaging in Competition**" means providing services to a Competitor of the Company or Parent (whether as an employee, independent contractor, consultant, principal, agent, partner, officer, director, investor, or shareholder, except as a shareholder of less than one percent of a publicly traded company) that: (i) are the same or similar in function or purpose to the services Employee provided to the Company or Parent during his/her employment by the Company, and/or (ii) will likely result in the disclosure of Confidential Information to a Competitor or the use of Confidential Information on behalf of a Competitor.

"**Competitor**" means any person, corporation or other entity that designs, manufactures, sells or distributes infant, juvenile and/or children's health, safety and wellness products in one or more product categories that are sold by the Company, Parent or any of their respective Affiliates, including, without limitation, products in the monitoring, health and safety, nursery, baby gear, feeding and furniture product categories.

"**Confidential Information**" shall be as defined in Section 3(a) of this Agreement.

"**Consulting Services**" means any activity that involves providing consulting or advisory services with respect to any relationship between the Company, Parent or any of their respective Affiliates, on the one hand, and any third party, on the other hand, and that is likely to result in the use or disclosure of Confidential Information.

"**Disability**" means that the Employee has been unable to perform his or her duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least four (4) weeks after its commencement, is determined to be total and permanent by a physical selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative (such Agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be affected after at least thirty (30) days' written notice by the Company of its intention to terminate the Employee's employment. In the event that the Employee resumes the

performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

“ **Good Reason** ” means (i) the material diminution in Employee’s authority, duties or responsibilities; (ii) the relocation of Employee to a location more than thirty (30) miles from his employment location at the Effective Date; (iii) a material diminution in the Employee’s annual base salary as in effect immediately prior to such diminution, other than in connection with a general diminution in Company compensation levels and in amounts commensurate with the percentage diminutions of other Company employees of comparable seniority and responsibility; or (iv) if applicable, any other action or inaction which constitutes a material breach by the Company or any of its Affiliates of an agreement between the Employee and the Company or Parent pursuant to which the Employee provides services to the Company or any of its Affiliates.

No violation described in clauses (i) through (iv) above shall constitute Good Reason unless the Employee has given written notice to the Company specifying the applicable clause and related facts giving rise to such violation within ninety (90) days after the occurrence of such violation and the Company has not remedied such violation to the Employee’s reasonable satisfaction within thirty (30) days of its receipt of such notice.

“ **Person** ” means any natural person or entity with legal status.

“ **Restrictive Area** ” refers to the United States, Canada, Mexico, United Kingdom, Australia and any other country where the Company sells its products.

“ **Restricted Period** ” means the period of time after termination of the Employee’s employment with the Company identified on Schedule 1.

3. Restrictive Covenants. The Employee has executed the Company’s Non-Competition, Non-Disclosure and Developments Agreement (“ **Other Restrictive Agreement** ”). If (a) a Payment Event occurs or the (b) Employee’s employment is terminated by the Company for Cause following a Change of Control, then the terms and provisions of this Section 3 shall apply rather than the terms and provisions of the Other Restrictive Agreement. If Employee terminates his or her employment without Good Reason following a Change of Control, then the terms and provisions of the Other Restrictive Agreement shall apply rather than the terms and provisions of this Agreement.

The Employee acknowledges that in order to assure the Company that it will retain the value of its business relationships, it is reasonable that the Employee be limited in utilizing trade secrets and other confidential information of the Company, Employee’s special knowledge of the business of the Company and Employee’s relationships with customers, suppliers and others having business relationships with the Company in any manner or for any purpose other than the advancement of the interests of the Company, as hereinafter provided. The Employee acknowledges that the Company would not enter into this Agreement and provide the benefits provided for herein without the covenants and agreements of the Employee set forth in this Section 3. Notwithstanding anything else herein contained, the term “ **Company** ,” as used in this Section 3, shall refer to the Company, Parent, their respective Affiliates and their respective successors and assigns.

(a) Confidentiality. The Employee acknowledges that in the course of the Employee's employment with the Company, Employee has had and is expected to continue to have extensive contact with Persons with which the Company has, had or anticipates having business relationships (including current and anticipated customers and suppliers), and to have knowledge of and access to trade secrets and other proprietary and confidential information of the Company, including, without limitation, the following non-public information: trade secrets, proprietary formulations generated, developed or licensed by the Company, manufacturing processes, procedures and techniques, material costing, operating margins, details of customer agreements, new product development, expansion strategies, sources of supply, employee compensation, and confidential information of third parties which is given to the Company pursuant to an obligation or agreement to keep such information confidential or any other information relating to the Company that could reasonably be regarded as confidential or proprietary or which is not in the public domain (other than by reason of Employee's breach of the provisions of this section) (collectively, "**Confidential Information**"). Accordingly, the Employee shall not at any time, either during the time Employee is employed by the Company or thereafter, use or purport to authorize any Person to use, reveal, report, publish, transfer or otherwise disclose to any Person, any Confidential Information without the prior written consent of the Company, except for disclosures by the Employee required by applicable law (but only to the extent the Company is given a reasonable opportunity to object to such disclosure and protect the Confidential Information) to responsible officers of the Company and other responsible Persons who are in a contractual or fiduciary relationship with the Company and who have a need for such information for purposes in the best interests of the Company. Without limiting the generality of the foregoing, the Employee shall not, directly or indirectly, disclose or otherwise make known to any Person any information as to the Company's employees and others providing services to the Company, including with respect to their abilities, compensation, benefits and other terms of employment or engagement. The Employee shall keep secret all such matters entrusted to Employee, and Employee shall not use or attempt to use any Confidential Information on behalf of any person or entity other than Company, or in any manner which may injure or cause loss or may be calculated to injure or cause loss, whether directly or indirectly, to the Company.

Further, Employee agrees that, during his/her employment, Employee shall not make, use, or permit to be used, any notes, memoranda, reports, lists, records, specifications, software programs, data, documentation or other materials of any nature relating to any matter within the scope of the business of the Company or concerning any of its dealings or affairs other than for the benefit of the Company. Employee further agrees that he/she shall not, after the termination of his/her employment, use or permit to be used any such notes, memoranda, reports, lists, records, specifications, software programs, data, documentation or other materials. All of the foregoing shall be and remain the sole and exclusive property of the Company, and immediately upon the termination of Employee's employment, Employee shall deliver all of the foregoing, and all copies thereof, to the Company at its main office.

(b) Restriction on Competition. During the Employee's employment with the Company and thereafter during the Restricted Period, the Employee shall not, directly or indirectly, whether alone or in association with others, engage in Competition or provide Consulting Services within the Restricted Area.

(c) Non-Interference. During the Employee's employment with the Company and thereafter during the Restricted Period, the Employee shall not, interfere with the Company's

relationship with its Business Partners by soliciting or communicating (regardless of who initiates the communication) with a Business Partner to induce or encourage the Business Partner to stop doing business or reduce its business with the Company, unless a duly authorized officer of the Company gives Employee written authorization to do so. Employee also agrees that during the Non-Interference Period, he/she will not work on a Company account on behalf of a Business Partner or serve as the representative of a Business Partner for the Company. During the Restrictive Period, Employee also will not interfere with the Company's relationship with any employee of the Company by: (i) soliciting or communicating with such employee to induce or encourage him or her to leave the Company's employ (regardless of who first initiates the communication); (ii) helping another person or entity evaluate such employee as an employment candidate; or (iii) otherwise helping any person or entity hire an employee away from the Company unless a duly authorized officer of the Company gives Employee written authorization to do so. Where required by law, the foregoing restriction will only apply to employees with whom Employee had material contact or about whom Employee received Confidential Information within the shorter period of Employee's employment with the Company or during the last two years prior to the termination of Employee's employment with the Company.

(d) **Non-disparagement**. The Employee shall not at any time, either during the time Employee is employed by the Company or thereafter, directly or indirectly, engage in any conduct or make any statement, whether in commercial or noncommercial speech, disparaging or criticizing in any way the Company (including its directors and employees and other providing services to the Company), or any of its products or services, nor shall the Employee engage in any other conduct or make any other statement that could reasonably be expected to impair the goodwill of any of them, the reputation of any products or services of the Company or the marketing of such products or services, in each case except as may be required by law, and then only after consultation with the Company to the extent possible.

(e) **Assignment of Inventions**. Employee agrees that he/she will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of Company, and hereby assigns to the Company, or its designee, all Employee's right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether or not patentable or registrable under copyright or similar laws, which Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, while in the course of his/her employment for the Company during the period of time Employee is in the employ of the Company and relating to the business of the Company (collectively referred to as "***Inventions***"). Employee further acknowledges that all original works of authorship which are made by Employee (solely or jointly with others) within the scope of and during the period of Employee's employment with the Company and which are protectable by copyright are "works made for hire," and as such are the sole property of the Company. Employee understands and agrees that the decision whether or not to commercialize or market any Invention developed by Employee solely or jointly with others is within the Company's sole discretion and for the Company's sole benefit and that no royalty will be due to Employee as a result of the Company's efforts to commercialize or market any such Invention.

4. **Remedies**. The Employee agrees that the restrictions set forth in Section 3, including the length of the Restricted Period, the geographic area covered and the scope of activities proscribed, are reasonable for the purposes of protecting the value of the business and goodwill of the Company and Parent. The Employee acknowledges that compliance with the restrictions set forth in Section 3

will not prevent Employee from earning a livelihood, and that in the event of a breach by the Employee of any of the provisions of Section 3, monetary damages would not provide an adequate remedy to the Company. Accordingly, the Employee agrees that, in addition to any other remedies available to the Company, the Company shall be entitled to seek injunctive and other equitable relief (without having to post bond or other security and without having to prove damages or the inadequacy of available remedies at law) to secure the enforcement of these provisions, and shall be entitled to receive reimbursement from the Employee for attorneys' fees and expenses incurred by it in enforcing these provisions. In addition to its other rights and remedies hereunder, the Company shall have the right to require the Employee to account for and pay over to it all compensation, profits, money, accruals and other benefits derived or received, directly or indirectly, by the Employee from any breach of the covenants of Section 3, and may set off any such amounts due it from the Employee against any amounts otherwise due Employee from the Company. If the Employee breaches any covenant set forth in Section 3, the running of the Restricted Period as to such covenant only shall be tolled for so long as such breach continues. It is the desire and intent of the parties that the provisions of Sections 3 and 4 be enforced in full; however, if any court of competent jurisdiction shall at any time determine that, but for the provisions of this paragraph, any part of this Agreement relating to the time period, scope of activities or geographic area of restrictions is invalid or unenforceable, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable with respect only to the jurisdiction in which such adjudication is made. If any other part of this Agreement is determined by such a court to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

5. Termination of this Agreement. This Agreement shall commence on the Effective Date and terminate on December 31, 2015, *provided, however*, that (a) if an event constituting a Change of Control shall occur while this Agreement is in effect, this Agreement shall automatically be extended for twelve (12) months from the date the Change of Control occurs and (b) the Company may extend this Agreement in its sole discretion by written notice to the Employee. For purposes of this Section 5 only (and not for purposes of determining whether the Payment and the Severance Benefits have become payable), a Change of Control shall be deemed to have occurred if the event constituting a Change of Control has been consummated on or prior to expiration of the term of this Agreement or if such event or one or more other events constituting a Change of Control have not been consummated but the material agreements for any of such events have been executed and delivered by the parties to any such event on or prior to expiration of the term of this Agreement (each such event being referred to as a "**Pending Event**"). For any Pending Event, this Agreement shall automatically be extended until such time as the related material agreements have been unconditionally terminated without consummation of the applicable Pending Event and if any such Pending Event is consummated pursuant to the related material agreements (as amended, restated, supplemented or otherwise modified), this Agreement shall further automatically be extended for twelve (12) months from the date each such Pending Event is so consummated.

6. No Alteration of Employment Terms or Status. Except as expressly provided in this Agreement, nothing herein shall alter in any way any of the terms of employment of the Employee, including without limitation the Employee's rights with respect to any equity awards Employee may have been granted by Parent (whether under a Parent incentive compensation plan or outside such plans). The Company and the Employee acknowledge that the Employee's employment

is and shall continue to be "**at-will**," as defined under applicable law. If the Employee's employment is terminated for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or as may otherwise be established under the Company's existing employee benefit plans or policies at the time of termination.

7. Parachute Payments. If Independent Tax Counsel (as herein defined) determines that the aggregate payments and benefits provided or to be provided to the Employee pursuant to this Agreement, and any other payments and benefits provided or to be provided to the Employee from the Company or any of its Affiliates or any successors thereto constitute "**parachute payments**" as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") (or any successor provision thereto) ("**Parachute Payments**") that would be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then, except as otherwise provided in the next sentence, such Parachute Payments shall be reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax. If Independent Tax Counsel determines that the Employee would receive in the aggregate greater payments and benefits on an after tax basis if the Parachute Payments were not reduced pursuant to this Section 7(a), then no such reduction shall be made. The determination of the Independent Tax Counsel under this Section 7 shall be final and binding on all parties hereto. The determination of which payments or benefits to reduce in order to avoid the Excise Tax shall be determined in the sole discretion of the Employee; *provided, however*, that unless the Employee gives written notice to the Company specifying the order to effectuate the limitations described above within ten (10) days of the Independent Tax Counsel's determination to make such reduction, the Company shall first reduce those payments or benefits that will cause a dollar-for-dollar reduction in total Parachute Payments, and then by reducing other Parachute Payments, to the extent possible, in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date the reduction is to be made. Any notice given by the Employee pursuant to the preceding sentence, unless prohibited by law, shall take precedence over the provisions of any other plan, arrangement or agreement governing the Employee's rights and entitlement to any benefits or compensation. For purposes of this Section 7, "**Independent Tax Counsel**" shall mean an attorney, a certified public accountant with a nationally recognized accounting firm, or a compensation consultant with a nationally recognized actuarial and benefits consulting firm with expertise in the area of Employee compensation tax law, who shall be selected by the Company and shall be acceptable to the Employee (the Employee's acceptance not to be unreasonably withheld), and whose fees and disbursements shall be paid by the Company.

8. Code Section 409A. (a) If any provision of this Agreement (or of any payment of compensation, including benefits) would cause the Employee to incur any additional tax or interest under Code Section 409A or any regulations or Treasury guidance promulgated thereunder, the Company shall, after consulting with the Employee, reform such provision to comply with Code Section 409A; provided that the Company agrees to make only such changes as are necessary to bring such provisions into compliance with Code Section 409A and to maintain,

to the maximum extent practicable, the original intent and economic benefit to the Employee of the applicable provision without violating the provisions of Code Section 409A.

(b) Notwithstanding any provision to the contrary in this Agreement, if the Employee is deemed on the date of termination of employment to be a “ **specified employee** ” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is required to be delayed in compliance with Section 409A(a)(2)(B) such payment or benefit shall not be made or provided (subject to the last sentence hereof) prior to the earlier of (i) the

expiration of the six (6)-month period measured from the date of the Employee's "**separation from service**" (as such term is defined in Treasury Regulations issued under Code Section 409A) or (ii) the date of his death (the "**Deferral Period**"). Upon the expiration of the Deferral Period, all payments and benefits deferred pursuant to this Section 8 (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or reimbursed to the Employee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Employee that would not be required to be delayed if the premiums therefor were paid by the Employee, the Employee shall pay the full cost of premiums for such welfare benefits during the Deferral Period and the Company shall pay (or cause to be paid) to the Employee an amount equal to the amount of such premiums paid by the Employee during the Deferral Period promptly after its conclusion.

(c) Any reimbursements by the Company to the Employee of any eligible expenses under this Agreement that are not excludable from the Employee's income for Federal income tax purposes (the "**Taxable Reimbursements**") shall be made by no later than the earlier of the date on which they would be paid under the Company's normal policies and the last day of the taxable year of the Employee following the year in which the expense was incurred. The amount of any Taxable Reimbursements, and the value of any in-kind benefits to be provided to the Employee, during any taxable year of the Employee shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Employee. The right to Taxable Reimbursements, or in-kind benefits, shall not be subject to liquidation or exchange for another benefit.

(d) Payment of any Taxable Reimbursements under this Agreement must be made by no later than the end of the taxable year of the Employee following the taxable year of the Employee in which the Employee remits the related taxes.

9. Miscellaneous.

(a) **Entire Agreement.** This Agreement (including Schedule 1) sets forth the entire understanding of the parties with respect to the subject matter hereof and merges and supersedes any prior or contemporaneous agreements (whether written or oral) between the parties pertaining thereto, including without limitation any prior agreements, arrangements, understandings or commitments of any nature whatsoever relating to severance payments or other compensation in connection with termination of Employee's employment. The Employee acknowledges that he has read and understands the provisions of this Agreement. The Employee further acknowledges that he has been given an opportunity for his legal counsel to review this Agreement and that the provisions of this Agreement are reasonable.

(b) **Amendment.** This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

(c) **Waiver.** No waiver by any party of any of its rights under this Agreement shall be effective unless in writing and signed by the party against which the same is sought to be enforced. No such waiver by any party of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such

party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

(d) Successors and Assigns. The Employee shall not have the right to assign Employee's rights or obligations hereunder. The Company shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of the Employee, except in accordance with Section 9(k) hereof. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their legal representatives, heirs, successors and permitted assigns. Except as otherwise specifically provided herein, the rights and obligations of the parties under this Agreement shall be unaffected by a Change of Control.

(e) Additional Acts. The Employee and the Company shall execute, acknowledge and deliver and file, or cause to be executed, acknowledged and delivered and filed, any and all further instruments, agreements or documents as may be necessary or expedient in order to consummate the transactions provided for in this Agreement and do any and all further acts and things as may be necessary or expedient in order to carry out the purpose and intent of this Agreement.

(f) Communications. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been given at the time personally delivered, on the business day following the day such communication is sent by national overnight delivery service, upon electronic confirmation of recipient's receipt of a facsimile of such communication, or five days after being deposited in the United States mail enclosed in a registered or certified postage prepaid envelope, return receipt requested, and addressed to the recipient at the address set forth beneath the recipient's signature to this Agreement, or sent to such other address as a party may specify by notice to the other party in accordance herewith, provided that notices of change of address shall only be effective upon receipt.

(g) Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity and enforceability of the other provisions of this Agreement and the provision held to be invalid or unenforceable shall be enforced as nearly as possible according to its original terms and intent to eliminate such invalidity or unenforceability.

(h) Withholding Taxes. The Company may withhold from amounts payable under this Agreement such federal, state and local taxes as are required to be withheld pursuant to any applicable law or regulation and the Company shall be authorized to take such action as may be necessary in the opinion of the Company's counsel to satisfy all obligations for the payment of such taxes.

(i) Exchange Act Requirements . If the Employee is a "named executive officer" within the meaning of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*") and the rules promulgated thereunder, Employee understands and agrees that the payments provided for in this Agreement may be subject to a vote, advisory or otherwise, by the Parent's stockholders under the Exchange Act and the rules promulgated thereunder, together with additional requirements that

may be imposed by any stock exchange upon which the Parent's common stock or other securities are listed from time to time.

(j) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Rhode Island applicable to agreements made and to be performed entirely in such state, without regard to the conflict of laws principles of such state.

(k) Consolidation, Merger or Sale of Assets. If the Company consolidates or merges into or with, or transfers all or substantially all of its assets to, another entity the term "**Company**" as used in this Agreement shall mean such other entity and this Agreement shall continue in full force and effect. In the case of any transaction in which a successor would not be bound by the foregoing provision or by operation of law be bound by this Agreement, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Agreement, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(l) Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provisions of this Agreement.

(m) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. In the event that any signature to this Agreement is delivered by facsimile transmission or email attachment, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or email-attached signature page were an original thereof.

(n) Litigation; Prevailing Party. If any litigation is instituted regarding this Agreement, the prevailing party shall be entitled to receive from the non-prevailing party, and the non-prevailing party shall pay, all reasonable fees and expenses of counsel for the prevailing party.

(o) Waiver of Jury Trial. Each party hereto knowingly, irrevocably and voluntarily waives its right to a trial by jury in any litigation which may arise under or involving this Agreement.

(p) Venue; Jurisdiction. If any litigation is to be instituted regarding this Agreement, it shall be instituted in the state and federal courts located in Providence County, Rhode Island, and each party irrevocably consents and submits to the personal jurisdiction of such courts in any such litigation, and waives any objection to the laying of venue in such courts. Service of process in any such litigation shall be effective as to any party if given to such party by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as provided in Section 9(f).

(q) Remedies Cumulative. No remedy made available by any of the provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

(r) **No Duty to Mitigate.** The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Employee may receive from any other source.

(s) **Release .** Notwithstanding any provision herein to the contrary, the Company shall not have any obligation to pay (or cause to be paid) any amount or provide any benefit under this Agreement unless and until the Employee executes, within sixty (60) days after a Payment Event, a release of the Company, Parent and their respective Affiliates and related parties, in such form as the Company may reasonably request, of all claims against the Company, Parent and their respective Affiliates and related parties relating to the Employee's employment and termination thereof and unless and until any revocation period applicable to such release has expired.

IN WITNESS WHEREOF , the parties hereto have each duly executed this Agreement as of the date set forth above.

COMPANY :

SUMMER INFANT (USA), INC.

By: /s/ Mark Strozik

Name: Mark Strozik

Title: SVP/Human Resources

EMPLOYEE :

/s/ Kenneth Price

Name: Kenneth Price

Address: _____

Schedule 1

Employee: Kenneth Price

Position/Title: President of Global Sales & Marketing

Payment Percentage: 100%

Severance Benefits: For a period commencing with the month in which termination of employment shall have occurred and ending 12 months thereafter, the Employee and, as applicable, the Employee's covered dependents shall be entitled to all benefits under the Company's welfare benefit plans (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended), as if the Employee were still employed during such period, at the same level of benefits and at the same dollar cost to the Employee as is in effect at the time of termination. If and to the extent that equivalent benefits shall not be payable or provided under any such plan, the Company shall pay or provide (or cause to be paid or provided) equivalent benefits on an individual basis. The benefits provided in accordance herewith shall be secondary to any comparable benefits provided to the Employee and, as applicable, the Employee's covered dependents by another employer of the Employee.

Restricted Period: 12 months

[QuickLinks](#) -- Click here to rapidly navigate through this document

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement on Form S-8 (No. 333-156725 and 333-191405) of Summer Infant, Inc. and Registration Statement (No. 333-164241) on Form S-3/A of Summer Infant Inc. of our report dated March 11, 2014, relating to our audits of the consolidated financial statements, which is incorporated in this Annual Report on Form 10-K of Summer Infant, Inc. for the year ended December 31, 2013.

/s/ McGladrey LLP

McGladrey LLP
Boston, MA
March 11, 2014

QuickLinks

[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Carol Bramson, certify that:

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

March 11, 2014

/s/ CAROL BRAMSON

Carol Bramson
Chief Executive Officer

QuickLinks

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul Francese, certify that:

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

March 11, 2014

/s/ PAUL FRANCESE

Paul Francese
Chief Financial Officer

QuickLinks

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

SECTION 1350 CERTIFICATION

In connection with the Annual Report on Form 10-K of Summer Infant, Inc. (the "Company") for the year ended December 31, 2013 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Carol Bramson, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

March 11, 2014

/s/ CAROL BRAMSON

Carol Bramson
Chief Executive Officer

QuickLinks

Exhibit 32.1

SECTION 1350 CERTIFICATION

SECTION 1350 CERTIFICATION

In connection with the Annual Report on Form 10-K of Summer Infant, Inc. (the "Company") for the year ended December 31, 2013 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Paul Francese, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

March 11, 2014

/s/ PAUL FRANCESE

Paul Francese
Chief Financial Officer

QuickLinks

[Exhibit 32.2](#)

[SECTION 1350 CERTIFICATION](#)