

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

FORM 10-K

(Mark One)  
☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2024

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Commission File Number 0-28104

**JAKKS PACIFIC, INC.**  
(Exact name of registrant as specified in its charter)

|                                                                   |                                         |
|-------------------------------------------------------------------|-----------------------------------------|
| Delaware                                                          | 95-4527222                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |
| 2951 28th St.<br>Santa Monica, California                         | 90405                                   |
| (Address of principal executive offices)                          | (Zip Code)                              |

Registrant's telephone number, including area code: (424) 268-9444

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

| Title of each class           | Trading Symbol(s) | Name of each exchange on which registered |
|-------------------------------|-------------------|-------------------------------------------|
| Common Stock \$.001 Par Value | JAKK              | The NASDAQ Global Select Market           |

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

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

☐ Large Accelerated Filer      ☒ Accelerated Filer      ☐ Non-Accelerated Filer      ☒ Smaller Reporting Company      ☐ Emerging Growth Company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity (the only such common equity being Common Stock, \$.001 par value per share) held by non-affiliates of the registrant (computed by reference to the closing sale price of the Common Stock on June 30, 2024 of \$17.91 is \$193,443,970.

The number of shares outstanding of the registrant’s Common Stock, \$.001 par value (being the only class of its common stock), is 11,146,230 as of March 6, 2025.

**Documents Incorporated by Reference**  
None.

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## **DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For example, statements included in this report regarding our financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. When we use words like “intend,” “anticipate,” “believe,” “estimate,” “plan” or “expect,” we are making forward-looking statements. We believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, based upon information available to us on the date hereof, but we cannot assure you that these assumptions and expectations will prove to have been correct or that we will take any action that we may presently be planning. We have disclosed certain important factors that could cause our actual results to differ materially from our current expectations elsewhere in this report. You should understand that forward-looking statements made in this report are necessarily qualified by these factors. We are not undertaking to publicly update or revise any forward-looking statement if we obtain new information or upon the occurrence of future events or otherwise.

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## PART I

### Item 1. *Business*

In this report, “JAKKS,” the “Company,” “we,” “us” and “our” refer to JAKKS Pacific, Inc. and its subsidiaries.

#### Company Overview

We are a leading multi-product line, multi-brand toy company that designs, produces, markets, sells and distributes toys and related kid-targeted consumer products, inclusive of kids indoor and outdoor furniture, costumes and various product lines in the sporting goods and home furnishings space. We focus our business on acquiring or licensing well-recognized intellectual property (“IP”), trademarks and/or brand names, most with long product histories (“evergreen brands”). We seek to acquire/license these evergreen brands because we believe they are less subject to market fads or trends. We also develop proprietary products marketed under our own trademarks and brand names and have historically acquired complementary businesses to further grow our portfolio. For accounting purposes, our products have been divided into two segments: (i) Toys/Consumer Products and (ii) Costumes. Segment information with respect to revenues, assets and profits or losses attributable to each segment is contained in Note 3 to the audited consolidated financial statements contained below in Item 8. Our products include:

- Action figures and accessories, including licensed characters based on the Nintendo®, Sonic the Hedgehog®, The Simpsons™ and Apex Legends® franchises and our own proprietary brands including Creepy Crawlers®;
- Toy vehicles, including Xtreme Power Dozer®, Xtreme Power Dump Truck®, XPV®, Road Champs®, Fly Wheels® and AirTitans® inflatable remote-control dinosaur;
- Dolls and accessories, including small dolls, large dolls, fashion dolls and baby dolls based on licenses, including Disney Wish®, Disney Encanto®, Disney Moana 2, Disney ILY 4EVER™, Disney Frozen®, Disney Princess® and Minnie Mouse®, and infant and pre-school toys based on TV shows like PBS’s Daniel Tiger’s Neighborhood® as well as in-house brands such as Perfectly Cute® and collectable plush Ami Amis®;
- Private label products developed exclusively for certain retail customers in various product categories;
- Foot-to-floor ride-on products, including those based on BBC’s Bluey, Fisher-Price®, Nickelodeon®, and Hasbro® licenses and inflatable play environments, tents and wagons;
- Role play, dress-up, pretend play and novelty products for boys and girls based on well-known brands and entertainment properties such as Disney Frozen®, Black & Decker®, Disney Princess®, and Disney Encanto®, as well as those based on our own proprietary brands;
- Indoor and outdoor kids’ furniture, activity trays and tables and room décor, seasonal and outdoor products, including those based on Disney® characters, Nickelodeon® and Hasbro® licenses;
- Halloween and everyday costumes for children and in some cases teens and adults based on licensed and proprietary non-licensed brands, including Super Mario Bros.®, Microsoft’s Halo®, Disney-Pixar Toy Story®, Harry Potter®, Minions®, Sesame Street®, Power Rangers®, Pokemon™, Hasbro® brands, Universal’s Wicked™ and Disney Frozen®, Disney Princess® and related Halloween accessories;
- Outdoor activity toys including ReDo Skateboard Co.® and junior sports toys including Sky Ball® hyper-charged balls, SportsZone™ sport sets and Wave Hoop® toy hoops marketed under our Maui® brand; and
- Board games under the brand JAKKS Wild Games®, including Temple Raider®, K.O. Corral® and Galactic JAXX™.

We continually review the marketplace to identify and evaluate popular and evergreen brands and product categories that we believe have the potential for growth. We endeavor to generate growth within these lines by:

- creating innovative products under our established licenses and brand names;
- adding new items to the branded product lines that we expect will enjoy greater popularity;
- infusing innovation and technology when appropriate to make products more appealing to today’s kids; and
- expanding our international product offering either sold directly to retailers or via third-party distributors.

## Our Business Strategy

In addition to developing our own proprietary brands, properties and marks, licensing popular IP enables us to use these high-profile marks at a lower cost than we would incur if we purchased these marks or funded the development of comparable marks on our own. Beyond the investment profile, we have an appreciation of the challenges and expertise required to break through the noise in a world filled with high-budget, content-centric consumer choices either based on well-known pre-existing IP or the even higher hurdle to launch new IP in the current marketplace. By licensing IP and trademarks from world-class brand owners and content creators, we have access to a far greater range of marks than would be available for purchase. Licensors ultimately are responsible for the franchise management of their IP, and we by extension leverage their related investment in content and promotion, which we hope in turn will create a robust market for our related toy, consumer products and costume product lines. Licensors often also invest resources in engaging our largest customers directly to keep them aware of new initiatives and content to facilitate our sell-in of product. It also helps to credibly assure licensors that we will prioritize their brands, properties and IP rather than explicitly competing with them with a broad range of self-developed content-led offerings. We also license technology developed by unaffiliated inventors and product developers to enhance the design, innovation and functionality of our products.

We sell our products through our in-house sales staff and independent sales representatives to toy and mass-market retail chain stores, department stores, office supply stores, drug and grocery store chains, club stores, value-oriented dollar stores, toy specialty stores and wholesalers. Our three largest customers are Target®, Walmart® and Amazon®, which accounted for 29.6%, 24.2% and 10.6%, respectively, of our net sales in 2024. No other customer accounted for more than 10% of our net sales in 2024.

## Our Growth Strategy

Key elements of our growth strategy include:

- **Expand Core Product Lines.** We manage our existing and new brands through strategic product development initiatives, including introducing new products, modifying existing products and extending existing product lines to maximize their longevity and expand their retail channel reach. Our marketing teams and product designers strive to develop new products or product lines to offer added technological, aesthetic and functional improvements to our extensive portfolio.
- **Enter New Product Categories.** We use our extensive experience in the toy and other consumer product industries to evaluate products and licenses in new product categories and to develop additional product lines. We began marketing licensed classic video games for simple plug-in use with television sets and expanded into several related categories by infusing additional technologies such as motion gaming and through the licensing of this category from our current licensors, such as Disney®. In recent years, we entered the skateboard space at a retailer's request and have since expanded into related protective gear and accessories.
- **Acquire Additional Character and Product Licenses.** We have acquired the rights to use many familiar brand and character names and logos from third parties that we use with our primary trademarks and brands. Currently, among others, we have license agreements with Nickelodeon®, Disney®, Pixar®, Marvel®, NBC Universal®, Microsoft®, Sega®, Sony®, Netflix® and WarnerMedia®, as well as with the licensors of many other popular characters. We also license IP from other toy companies for categories in which they do not offer products found within our core product lines. We intend to continue to pursue new licenses from these media & entertainment companies along with other licensors. We also intend to continue to secure additional inventions and product concepts through our existing network of inventors and product developers.
- **Expand International Sales.** We believe that non-US markets: Europe, Australia, Canada, Latin America and Asia, offer us significant growth opportunities. In 2024, our sales generated outside the United States were approximately \$146.0 million, or 21.1% of total net sales. In 2020, we migrated from a distributor model to selling direct in Spain, Italy, France and Mexico. Third-party distributors remain a core component of our international business, and we are constantly assessing how to expand our mutual businesses. We currently utilize warehouses in the United Kingdom, the Netherlands, Italy, Belgium and Spain (the latter two opened in 2024) to support sales expansion in Europe. We also have warehouse capacity in Mexico.
- **Pursue Strategic Acquisitions.** We have supplemented our internal growth with selected strategic acquisitions. Most of the product lines we market today were originally acquired via acquisition over the past 20+ years.
- **Capitalize On Our Operating Efficiencies.** We believe that our current infrastructure and operating model can accommodate growth without a proportionate increase in our operating and administrative expenses, thereby increasing our operating margins.

The execution of our growth strategy, however, is subject to several risks and uncertainties and we cannot assure you that we will continue to experience growth in or maintain our present level of net sales (see “Risk Factors,” in Item 1A). For example, our growth strategy will place additional demands upon our management, operational capacity and financial resources and systems. The increased demand upon management may necessitate our recruitment and retention of additional qualified management personnel. We cannot assure you that we will be able to recruit and retain qualified personnel or expand and manage our operations effectively and profitably. To effectively manage future growth, we must continue to expand our operational, financial and management information systems and to train, motivate and manage our workforce. While we believe that our operational, financial and management information systems will be adequate to support our future growth, no assurance can be given they will be adequate without significant investment in our infrastructure. Failure to expand our operational, financial and management information systems or to train, motivate, manage and retain employees could have a material adverse effect on our business, financial condition and results of operations.

Moreover, implementation of our growth strategy is subject to risks beyond our control, including: competition; market acceptance of new products; changes in economic conditions; changes in the media & entertainment landscape disrupting the traditional model of capturing consumer attention for new entertainment-led offerings; our ability to obtain or renew licenses on commercially reasonable terms; and our ability to finance increased levels of accounts receivable and inventory necessary to support our sales growth, if any.

Furthermore, we cannot assure you that we can identify attractive acquisition candidates or negotiate acceptable acquisition terms, and our failure to do so may adversely affect the results of our operations and our ability to sustain growth.

Finally, our acquisition strategy involves a number of risks, each of which could adversely affect our operating results, including difficulties in integrating acquired businesses or product lines, assimilating new facilities and personnel and harmonizing diverse business strategies and methods of operation, diversion of management attention from operation of our existing business, loss of key personnel from acquired companies, and failure of an acquired business to achieve targeted financial results.

## **Industry Overview**

According to Toy Association, Inc., the leading toy industry trade group, the United States is the world’s largest toy market, followed by China, Japan and Western Europe. Total retail sales of toys, excluding video games, in the United States, were approximately \$28.3 billion in 2024. We believe the two largest United States toy companies, Hasbro® and Mattel®, along with The LEGO Group (headquartered in Denmark), collectively hold a dominant share of the U.S. toy market. In addition, hundreds of smaller companies compete in the design and development of new toys, the procurement of character and product licenses, and the improvement, expansion and re-introduction of previously established products and product lines.

Over the decades, the toy industry has experienced substantial consolidation among both toy companies and toy retailers. We believe that the ongoing consolidation of toy companies provides us with increased growth opportunities due to retailers’ desire to not be entirely dependent upon a few dominant toy companies. Retailer concentration also enables us to ship products, manage account relationships and track point of sale information more effectively and efficiently.

## **Products**

We focus our business on acquiring or licensing well-recognized properties, trademarks and/or brand names, and we seek to acquire evergreen brands which are less subject to market fads or trends. Generally, our license agreements for products and concepts call for royalties ranging from 1% to 25% of net sales, and some may require minimum royalty guarantees and up-front or advanced royalty payments against those guarantees. Our principal products are highlighted above in our Company Overview.

## Sales, Marketing and Distribution

We sell all our products through our own in-house sales staff and independent sales representatives to toy and mass-market retail chain stores, department stores, office supply stores, drug and grocery store chains, club stores, dollar stores, toy specialty stores and wholesalers. Our three largest customers are Target®, Walmart® and Amazon®, which accounted for 29.6%, 24.2% and 10.6%, respectively, of our net sales in 2024. No other customer accounted for more than 10% of our net sales in 2024. In 2023, our three largest customers, Target®, Walmart® and Amazon®, accounted for 30.3%, 20.8% and 10.5%, respectively, of our net sales. No other customer accounted for more than 10% of our net sales in 2023. We generally sell products to our customers on open account with payment terms typically varying from 30 to 90 days or, in some cases, pursuant to letters of credit. For sales outside of the United States, we may also purchase credit insurance to mitigate the risk, if any, of non-payment. From time to time, we allow our customers credits against future purchases from us in order to facilitate their retail markdown and sales of slow-moving inventory. We also sell our products through e-commerce sites, including Walmart.com, Target.com and Amazon.com.

We contract the manufacture of most of our products to unaffiliated manufacturers located in The People's Republic of China ("China"). We sell the finished products to our customers, many of whom take title to the goods in China. These methods allow us to reduce certain operating costs and working capital requirements. We also contract the manufacture of certain products from Hong Kong Meisheng Cultural Company Limited ("Meisheng"), which involved payments to Meisheng of approximately \$98.4 million and \$75.7 million for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, Meisheng owns 4.8% of our outstanding common stock and until our 2024 annual meeting a designee of Meisheng was a member of our board of directors. A portion of our sales originate in the United States, so we hold certain inventory in a US warehouse and fulfillment facility. To date, a majority of all our sales has been to customers based in the United States. We intend to continue trying to expand distribution of our products into foreign territories and, accordingly, we have:

- engaged representatives to oversee sales in certain foreign territories;
- engaged distributors in certain foreign territories;
- established direct relationships with retailers in certain foreign territories;
- opened sales offices in Canada, Europe and Mexico;
- opened distribution centers in the UK, the Netherlands, Italy, Belgium, Spain and Mexico.

Outside of the United States, we currently sell our products primarily in Europe, Australia, Canada, Latin America and Asia. Sales of our products abroad accounted for approximately \$146.0 million, or 21.1% of our net sales in 2024 and approximately \$153.7 million, or 21.6% of our net sales in 2023. We believe that foreign markets present an attractive opportunity, and we plan to intensify our marketing efforts and further expand our distribution channels abroad.

We establish reserves for allowances provided to our customers, including discounts, pricing concessions, promotional allowances and allowances for anticipated breakage or defective product, at the time of shipment. The reserves are determined as a percentage of sales based upon either historical experience or upon estimates or programs agreed upon with our customers.

We obtain, directly, or through our sales representatives, orders for our products from our customers and arrange for the manufacture of these products as discussed below. Cancellations generally are made in writing, and we take appropriate steps to notify our manufacturers of these cancellations. We may incur costs or other losses because of cancellations.

We maintain a full-time sales and marketing staff, many of whom make on-site visits to customers for the purpose of showing products and soliciting orders for products. We also retain a number of independent sales representatives to sell and promote our products, both domestically and internationally. Together with retailers, we occasionally test the consumer acceptance of new products in selected markets before committing resources to large-scale production.

We publicize and advertise our products online and on mobile devices, in trade and consumer magazines and other publications, market our products at international, national and regional toy and other specialty trade shows, conventions and exhibitions and carry on cooperative advertising programs with toy and mass market retailers and other customers which include the use of print, online, mobile and television ads and via in-store displays. We also produce and broadcast television commercials for several of our product lines, if we expect that the resulting increase in our net sales will justify the relatively high cost of television/media advertising.



## **Product Development**

Each of our product lines has an in-house lead responsible for product development. The in-house lead identifies and evaluates inventor products and concepts and other opportunities to enhance or expand existing product lines or to enter new product categories. In addition, we create proprietary products to fully exploit our concept and character licenses. Although we have the capability to create and develop products from inception to production, we also use third-parties to provide a portion of the sculpting, sample making, illustration and package design required for our products to accommodate our increasing product innovations and introductions as well as accelerate our speed-to-market. Typically, the development process takes from nine to eighteen months from concept to production and shipment to our customers, but given our Company's size and structure, we have demonstrated the ability to shrink that down to three to nine months successfully when the opportunity requires.

We employ a staff of product designers. We occasionally acquire other product concepts from unaffiliated third-parties. If we accept and develop a third-party's concept for new toys, we generally pay a royalty on the sale of the toys developed from this concept, and may, on an individual basis, guarantee a minimum royalty. Royalties payable to inventors and developers generally range from 1% to 5% of the wholesale sales price for each unit of a product sold by us. We believe that utilizing experienced third-party inventors gives us access to a wide range of development talent. We currently work with numerous toy inventors and designers for the development of new products and the enhancement of existing products.

Safety testing of our products is done at the manufacturers' facilities by quality control personnel employed by us or by independent third-party contractors engaged by us. Safety testing is designed to meet or exceed regulations imposed by federal and state, as well as applicable international governmental authorities, our retail partners, licensors and the Toy Association. We also closely monitor quality assurance procedures for our products for safety purposes. In addition, independent laboratories engaged by some of our larger customers and licensors test certain of our products.

## **Manufacturing and Supplies**

Our products are currently produced by overseas third-party manufacturers, which we choose on the basis of quality, flexibility, reliability and price. Consistent with industry practice, the use of third-party manufacturers enables us to avoid incurring fixed manufacturing costs, while maximizing flexibility, capacity and the latest production technology. Substantially all of the manufacturing services performed overseas for us are paid for on open account with the manufacturers. To date, we have not experienced any material delays in the delivery of our products from our manufacturers; however, delivery schedules are subject to various factors beyond our control, and any delays in the future could adversely affect our sales. The COVID-19 pandemic created some short-term delays as manufacturing capacity both dropped during the peak of the outbreak and then again was stretched when consumer demand for different categories of products spiked because of the unprecedented level of households operating under confined-to-home/social distancing guidelines. The lingering impact of the pandemic has created volatility in costs associated with the sourcing and importation of products, in particular due to changes in factor inputs (labor, oil) and market demand for services (transport). In addition, our third-party manufacturers have seen increases in foreign exchange rate exposure during this time. Currently, we have ongoing relationships with over 50 different manufacturers. We believe that alternative sources of supply are available to us although we cannot be assured that we can obtain adequate supplies of manufactured products on short notice in a cost neutral manner. We may also incur costs or other losses as a result of not placing orders consistent with our forecasts for products to be manufactured by our suppliers or manufacturers for a variety of reasons including customer order cancellations or a decline in demand.

Although we do not conduct the day-to-day manufacturing of our products, we are extensively involved in the design of product prototypes and production tools, dies and molds for our products and we seek to ensure quality control by actively reviewing the production process and testing the products produced by our manufacturers. We employ quality control inspectors who rotate among our manufacturers' factories to monitor the production of substantially all our products. Some of our customers might also conduct their own product quality testing.

The principal raw materials used in the production and sale of our toy products are plastics, zinc alloy, plush, printed fabrics, paper products and electronic components, all of which are currently available at reasonable prices from a variety of sources. Although we do not directly manufacture our products, we own the majority of the tools, dies and molds used in the manufacturing process, and these are transferable among manufacturers if we choose to employ alternative manufacturers. Tools, dies and molds represent a substantial portion of our property and equipment with a net book value of \$13.5 million and \$13.7 million as of December 31, 2024, and 2023, respectively. Substantially all of these assets are located in China.

## **Patents, Trademarks, Copyrights and Licenses**

We routinely pursue protection of our products through some form or combination of intellectual property right(s). We file patent applications where appropriate to protect our innovations arising from new development and design, and as a result, possess a portfolio of issued patents in the U.S. and abroad. Most of our products are produced and sold under trademarks owned by or licensed to us. In recent years, our rate of filing new trademark applications has increased. We also register certain aspects of some of our products with the U.S. Copyright Office. In the same vein, we enforce our rights against infringers because we recognize our intellectual property rights are significant assets that contribute to our success. Accordingly, while we believe we are sufficiently protected and the duration of our rights are aligned with the lifecycle of our products, the loss of some of these rights could have an adverse effect on our financial growth expectations and business operations.

## **Competition**

Competition in the toy industry is intense. Globally, certain of our competitors have greater financial resources, larger sales and marketing and product development departments, stronger name recognition, wholly-owned brands and properties with high consumer awareness and appeal, longer operating histories and benefit from greater economies of scale. These factors, among others, may enable our competitors to market their products at lower prices or on terms more advantageous to customers than those we could offer for our competitive products. Competition often extends to the procurement of entertainment and product licenses, as well as the marketing and distribution of products and the obtaining of adequate shelf space. Competition may result in price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, financial condition and results of operations. In many of our product lines we compete directly against one or both of two of the toy industry's most dominant companies, Mattel® and Hasbro®. In addition, we compete in our Halloween costume lines with Rubies II®. We also compete with numerous smaller domestic and foreign toy manufacturers, importers and marketers in each of our product categories.

## **Seasonality and Backlog**

In 2024, 68.0% of our net sales were made in the second and third quarters. Generally, the first quarter is the period of lowest shipments and sales in our business and in the toy industry and therefore it is also the least profitable quarter due to various fixed costs. Seasonality factors cause our operating results to fluctuate significantly from quarter to quarter. However, our outdoor/seasonal products are primarily sold in the spring and summer seasons, and our year-round costume business does ship most of its volume focused on consumer sales taking place just before Halloween at the end of October. Our results of operations may also fluctuate because of factors such as the timing of new products (and related expenses) introduced by us or our competitors, the theatrical/entertainment-led releases of licensed brands, the advertising activities of our competitors, delivery schedules set by our customers and the emergence of new market entrants. We believe, however, that the low retail price of most of our products may be less subject to seasonal fluctuations than higher-priced toy products.

We ship products in accordance with delivery schedules specified by our customers, who generally request delivery of products within three to six months of the date of their orders for orders shipped FOB China or Hong Kong and within three days for orders shipped domestically (i.e., from one of our warehouses). Because customer orders may be canceled at any time, often without penalty, our backlog may not accurately indicate sales for any future period.

In 2022 and 2021, a number of factors partially attributable to the COVID-19 pandemic created significant bottlenecks and supply-demand imbalances in exporting product out of Asia into the United States and Europe. These factors increased the cost of ocean freight and the cost of trucking while incurring higher expenses and penalties from product being stuck at the port awaiting inbound trucking pickup. The unpredictability of delivery times further resulted in higher warehouse handling costs as container arrival timelines proved less predictable sometimes requiring overtime labor and expansion of the short-term labor pool to cope with above-average arriving volumes. Specifically, in 2022, companies and retailers responded to the ocean freight crisis by shifting more of their importation of product to the first half of the year. These efforts created more volatility in accurately forecasting market demand. In areas where consumer demand subsequently cooled, a backlog of inventory accumulated both at retailers and in manufacturer distribution centers. These excesses in turn generated incremental costs as inventory levels exceeded normal capacity levels, and temporary price reductions were utilized to accelerate consumer demand. Finally, the longer delivery time resulted in a slower cash conversion cycle for us as the net impact was a longer holding period for finished goods inventory between manufacture and sale to customer.

## **Government and Industry Regulation**

Our products are subject to the provisions of the Consumer Product Safety Act (“CPSA”) as amended by the Consumer Product Safety Improvement Act (“CPSIA”), the Federal Hazardous Substances Act (“FHSA”), the Flammable Fabrics Act (“FFA”) and regulations promulgated thereunder. Additionally, our products may be subject to various other regulations in the United States, European Union, and other jurisdictions. The CPSIA, FHSA, and FFA are administered by the United States Consumer Products Safety Commission (“CPSC”) which requires independent third-party testing by accredited laboratories of products we sell in the United States. Failure to comply with such requirements can result in the CPSC banning such products. The CPSC also may require the recall to repair and/or repurchase by the manufacturer of articles that it deems noncompliant. Similar laws exist in some states and cities and in various international markets. We maintain a quality control program designed to reasonably ensure compliance with all applicable laws.

## **Human Capital**

Our success comes from recruiting, retaining and motivating talented individuals around the world. JAKKS Pacific, Inc. continuously strives to create a safe, healthy, productive and harmonious work environment.

As of December 31, 2024, we had approximately 680 employees (including temporary and seasonal employees) working in over 10 countries worldwide to create innovative products and experiences that inspire, entertain, and develop children through play, with approximately 320 employees (47% of the total workforce) located outside the U.S.

### *Employee Engagement*

One of our main focuses is employee retention. We empower our management to identify top performers and mentor them. We encourage all employees to take advantage of in-house and external training programs and continuing education. Our Human Resources department has an open-door policy that encourages employees to seek career advancement advice. We hold various events and workshops throughout the year and employees are encouraged to voice any concerns and/or to bring forth their ideas and suggestions.

### *Culture and Environment*

We are dedicated to developing and maintaining a workplace culture that celebrates and values the unique contributions of every individual.

Our organization’s ethos is significantly shaped by the collective blend of distinct perspectives, life journeys, expertise, creativity, innovative thinking, self-expression, exceptional skills, and talents that our team members bring to their roles.

We wholeheartedly welcome and encourage the rich tapestry of differences among our employees. This includes, but is not limited to, variations in age, skin tone, physical and cognitive abilities, ethnic background, family composition, gender identity or expression, linguistic heritage, national origin, political views, racial identity, religious beliefs, sexual orientation, socio-economic background, military service history, and other personal characteristics.

Our initiatives to promote a varied and representative workforce encompass a wide range of practices and policies. These include, but are not limited to, our approaches to recruitment and hiring, compensation packages and benefits, professional growth opportunities and training programs, as well as our processes for internal promotions and transfers.

### *Training and Development*

We take pride in offering the opportunity for employees to continuously learn and to grow their careers. Annually, employees are offered various types of training and the opportunity to continue their education. This includes both online and instructor-led training covering a variety of topics ranging from career-related, to federally- and locally-mandated, to JAKKS Pacific, Inc. Company policy, to financial services and health/wellness-related. Nearly all employees take advantage of some if not all of these optional learning opportunities.

### *Health and Safety*

We are committed to providing a safe, healthy and productive working environment for all of our employees globally.

### **Environmental Issues**

We may be subject to legal and financial obligations under environmental, health and safety laws in the United States and in other jurisdictions where we operate. We are not currently aware of any material environmental liabilities associated with any of our operations.

### **Available Information**

We make available free of charge on or through our Internet website, [www.jakks.com](http://www.jakks.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, we have previously filed registration statements and other documents with the SEC. Any document we file may be inspected without charge at the SEC's website at [www.sec.gov](http://www.sec.gov). (These website addresses are not intended to function as hyperlinks, and the information contained in our website and in the SEC's website is not intended to be a part of this filing.)

### **Our Corporate Information**

We were formed as a Delaware corporation in 1995. Our principal executive offices are located at 2951 28th Street, Santa Monica, California 90405. Our telephone number is (424) 268-9444 and our Internet Website address is [www.jakks.com](http://www.jakks.com). The contents of our website are not incorporated in or deemed to be a part of this Annual Report on Form 10-K.

## Item 1A. Risk Factors

From time to time, including in this Annual Report on Form 10-K, we publish forward-looking statements, as disclosed in our Disclosure Regarding Forward-Looking Statements, immediately following the Table of Contents of this Annual Report. We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed or anticipated in our forward-looking statements. The factors listed below are risks and uncertainties that may arise and that may be detailed from time to time in our public announcements and our filings with the Securities and Exchange Commission, such as on Forms 8-K, 10-Q and 10-K. We undertake no obligation to make any revisions to the forward-looking statements contained in this Annual Report on Form 10-K to reflect events or circumstances occurring after the date of the filing of this report.

***Our inability to redesign, restyle and extend our existing core products and product lines as consumer preferences evolve, and to develop, introduce and gain customer acceptance of new products and product lines, may materially and adversely impact our business, financial condition and results of operations.***

Our business and operating results depend largely upon the appeal of our products. Our continued success in the toy industry will depend upon our ability to redesign, restyle and extend our existing core products and product lines as consumer preferences evolve, and to develop, introduce and gain customer acceptance of new products and product lines. Several trends in recent years have presented challenges for the toy industry, including:

- *the phenomenon of children outgrowing toys at younger ages, particularly in favor of interactive and high technology products;*
- *increasing use of technology, broadly, be it taking share of children's discretionary time or otherwise;*
- *shorter life cycles for individual products;*
- *higher consumer expectations for product quality, functionality, price-value and environmental-impact;*
- *a wider array of content offerings and platforms attracting a viable audience that enables a meaningful consumer products opportunity, and our ability to effectively predict those platforms and offerings given the increasingly fragmented content distribution marketplace;*
- *the evolving media landscape increases the cost and complexity of advertising our products directly to end-consumers, and similarly our ability to effectively predict the most effective advertising platforms could adversely impact our ability to introduce and sell our product lines at planned levels or better; and*
- *consumer shopping habits migrating from traditional "brick & mortar" retailer browsing to more online experiences. We cannot be assured that this change will not adversely impact our historical ability to have our newest product offerings discovered, evaluated and appreciated sufficiently to motivate purchase and ultimately build word-of-mouth endorsement about the value of our offerings.*

We cannot assure you that:

- *our current products will continue to be popular with consumers;*
- *the products that we introduce will achieve any significant degree of market acceptance;*
- *our support of customers with an online shopping proposition is expected to lead to a comparable degree of sales or margins through the offline shopping experience should consumer behavior migrate more of our business in that direction;*
- *the life cycles of our products will be sufficient to permit us to recover our inventory costs, and licensing, design, manufacturing, marketing and other costs associated with those products;*
- *we will be able to manufacture and distribute new or current products in a timely manner to meet demand; or*
- *our inclusion of new technology will result in higher sales or increased profits.*

Any or all the foregoing factors may adversely affect our business, results of operations and financial condition.

***There are risks associated with our license agreements.***

- *Our current licenses require us to pay minimum royalties.*

Sales of products under trademarks or trade or brand names licensed from others account for substantially all of our net sales. Product licenses allow us to capitalize on characters, designs, concepts and inventions owned by others or developed by toy inventors and designers. Our license agreements generally require us to make specified minimum royalty payments, even if we fail to sell a sufficient number of units to generate these dollar amounts under the percentage of sales basis under which most agreements are written. Some of our license agreements have additional requirements for marketing spend for the brands licensed. Some of our license agreements disallow certain retailer credits and deductions from the sales base on which royalties are calculated, including in some cases uncollectable accounts. In addition, under certain of our license agreements, if we fail to achieve certain prescribed sales targets, we may be unable to retain or renew these licenses which may adversely impact our business, results of operations and financial condition. Many of our license agreements, although multi-year in total, require us to pay a minimum level of royalties annually that cannot be recouped outside of selling during that time period (often 12 months). There may also be minimum royalty commitments assigned to specific geographic regions or countries. As a result, sudden shocks to the market, such as has been the case with COVID-19 or when a foundational retailer goes bankrupt, might leave us with these fixed expenses unless licensors are willing to renegotiate terms in consideration for the unexpected nature of the shock. Contractual minimal royalty payments are almost always fixed and determined upon signing, so these sorts of shocks could have a negative impact on our business, results of operations and financial condition for multiple years given the nature and timing of the shock.

- *Some of our licenses are restricted in terms of use and include other restrictive provisions.*

Under the majority of our license agreements, the licensors have the right to review and approve our use of their licensed products, designs or materials before we may make any sales. If a licensor refuses to permit our use of any licensed property in the way we propose, or if their review process is delayed or not timely, our development, manufacturing and/or sale of new products could be impeded. Our licensing agreements include other restrictive provisions, such as limitations of the time period in which we have to sell existing inventory upon expiration of the license, requiring licensor approval of contract manufacturers and approval of marketing and promotional materials, limitations on channels of distribution, including internet sales, change of ownership clauses that require licensor approval of such change and may require a fee to be paid under certain circumstances and various other provisions that may have an adverse impact on our business, results of operations and financial condition.

- *New licenses can be difficult and expensive to obtain and, in some cases, retain.*

Our continued success will substantially depend upon our ability to maintain existing relevant and obtain new additional licenses. Intense competition exists for desirable licenses in our industry. We cannot assure you that we will be able to secure or renew significant licenses on terms acceptable to us. In addition, as we add licenses, the need to fund additional capital expenditures, royalty advances and guaranteed minimum royalty payments may strain our cash resources. Often, licensors require cash advance payments upon signing agreements against future minimum royalty obligations, which requires us to pay out cash several quarters prior to our ability to ship, invoice and ultimately collect revenue from the related product sales. In addition, there might be licensor or consumer expectations that certain toy products contain music or musical elements related to the original entertainment. Those music rights must be separately acquired at additional expense, and as a result can adversely affect our profitability and competitiveness at retail.

- *A limited number of licensors account for a large portion of our net sales.*

We derive a significant portion of our net sales from a limited number of licensors. If one or more of these licensors were to terminate or fail to renew our licenses or not grant us new licenses, our business, results of operations and financial condition could be adversely affected.

- *Our license agreements are subject to audit.*

In most of our license agreements, the licensor retains the right to utilize an auditor of their choosing to audit our performance against all elements of the agreement up to some number of years after license expiration. In the event that errors or omissions were made in our normal course of business that resulted in underpayment of royalties, shipping product to an unlicensed territory or channel of distribution, or a variety of other technical infractions, we could be liable for past due royalties, accrued interest and other financial penalties as outlined in the agreement.

***The failure of our character-related and theme-related products to become and/or remain popular with children may materially and adversely impact our business, results of operations and financial condition.***

The success of many of our character-related and theme-related products depends upon the popularity of characters in movies, television programs, live sporting exhibitions, and other media and events. By extension, any sudden disruption in that calendar can have negative repercussions for our business, both in terms of recouping our investments to date, as well as monetizing those investments at the profit margins we have planned. As we have a 9-18-month concept-to-market timeline depending on the product category, there is a degree of exposure given our dependence on third parties to adhere to their planned schedules. We cannot assure you that:

- *entertainment content associated with our character-related and theme-related product lines will be released at the times we expect, via the media we expected and/or will reach a wide enough audience to generate the level of consumer demand we anticipated in agreeing to sign the license and develop our product line;*
- *the success of entertainment content associated with our existing character-related and theme-related product lines will result in substantial promotional value to our products;*
- *we will be successful in renewing licenses upon expiration of terms that are favorable to us;*
- *we will be successful in obtaining licenses to produce new character-related and theme-related products in the future;*
- *we will continue to be able to assess effectively our licensors' ability to launch new brands in a manner to effectively create a market for consumer products given the rapidly changing content distribution landscape and a potential reprioritization of their goals for their content launches; or*
- *we will continue to be able to effectively assess the longevity and market appetite for consumer products for pre-existing licensor brands given the ever-increasing competition for consumer's attention and discretionary spending.*

Our failure to achieve any or all the foregoing benchmarks may cause the infrastructure of our operations to fail, thereby adversely affecting our business, results of operations and financial condition.

***A limited number of customers account for a large portion of our net sales, so that if one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could have a materially adverse effect on our business, results of operations and financial condition.***

Our three largest customers, Target®, Walmart® and Amazon®, accounted for 64.4% of our net sales in 2024. Except for outstanding purchase orders for specific products, we do not have written contracts with, or commitments from, any of our customers, and pursuant to the terms of certain of our vendor agreements, even some purchase orders may be cancelled without penalty up until delivery. A substantial reduction in or termination of orders from any of our largest customers would adversely affect our business, results of operations and financial condition. In addition, pressure by large customers seeking price reductions, financial incentives and changes in other terms of sale or for us to bear the risks and the cost of importing and carrying inventory could also adversely affect our business, results of operations and financial condition.

If one or more of our major customers were to experience difficulties in fulfilling their obligations to us resulting from bankruptcy or other deterioration in their financial condition or ability to meet their obligations, cease doing business with us, significantly reduce the amount of their purchases from us, or return substantial amounts of our products, it could have a material adverse effect on our business, results of operations and financial condition.

***Restrictions under or the loss of availability under our revolving credit line could adversely impact our business and financial condition.***

In June 2021, we entered into and consummated a binding definitive agreement with JPMorgan Chase (for an asset-based credit line) with the objective of increasing our overall liquidity.



All outstanding borrowings under the revolving credit line are accelerated and become immediately due and payable (and the revolving credit line terminates) in the event of a default, which includes, among other things, failure to comply with certain financial covenants or breach of representations contained in the credit line documents, defaults under other loans or obligations, involvement in bankruptcy proceedings, an occurrence of a change of control or an event constituting a material adverse effect on us (as such terms are defined in the credit line documents). In the event of a default, it is possible that our assets and certain of our subsidiaries' assets may be attached or seized by the lenders. Any (i) failure by us to comply with the covenants or other provisions of the credit line (ii) difficulty in securing any required future financing, or (iii) any such seizure or attachment of assets could have a material adverse effect on our business and financial condition. Our revolving credit line matures in June 2026.

***We have entered into an At the Market Issuance Sales Agreement, pursuant to which we may offer and sell, from time to time, shares of our common stock, which may adversely affect the price of our Common Stock.***

We have entered into an At the Market Issuance Sales Agreement ("ATM Agreement"), pursuant to which we may issue, from time to time, up to \$75.0 million of common stock, in one or more offerings in amounts, prices and at terms that we will determine at the time of the offering. Any such sale of common stock will dilute our other equity holders and may adversely affect the market price of the common stock. Under our currently existing ATM Agreement with B. Riley, as of March 6, 2025, we have not sold any shares of our common stock.

***We have an effective shelf registration statement pursuant to which we may offer and sell, from time to time, securities, which may adversely affect the price of our Common Stock.***

We have on file with the SEC an effective registration statement pursuant to which we may issue, from time to time, up to \$150 million of securities (which will be reduced by any amount of securities sold pursuant to the ATM Agreement) consisting of, or any combination of, common stock, preferred stock, debt securities, warrants, rights and/or units, in one or more offerings in amounts, prices and at terms that we will determine at the time of the offering. Any such sale of stock or convertible securities will, or have the potential to, dilute our other equity holders and may adversely affect the market price of the common stock. As of March 6, 2025, we have not sold any securities pursuant to our shelf registration statement.

***We depend upon our Chief Executive Officer and any loss or interruption of his services could adversely affect our business, results of operations and financial condition.***

Our success has been largely dependent upon the experience and continued services of Stephen G. Berman, our Chairman and Chief Executive Officer. Though Mr. Berman is under contract through March 2029, we cannot assure you that we would be able to find an appropriate replacement for Mr. Berman should the need arise, and any loss or interruption of the services of Mr. Berman could adversely affect our business, results of operations and financial condition.

***Market conditions and other third-party conduct could negatively impact our margins and the implementation of other business initiatives.***

Economic conditions, such as decreased consumer confidence, inflation or a recession, may adversely impact our business, results of operations and financial condition. In addition, general economic conditions were significantly and negatively affected by the September 11th terrorist attacks and could be similarly affected by any future attacks. The COVID-19 pandemic had a negative impact to our business in 2020 by disrupting consumer behavior, spending patterns and ultimately the play patterns and events that often motivate purchases of our products. Furthermore, restrictions on nearly all of our customers' operating hours in 2020 at one point in the year or another limited consumers' ability to discover our products through traditional in-store browsing and unplanned purchases. Continuation of such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could further adversely affect our sales and profitability. Other conditions, such as the unavailability of electronic components or other raw materials, for example, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Interruptions and delays in the availability of raw materials and finished goods could result from labor stoppages and strikes, the occurrence or threat of wars or similar conflicts, trade restrictions, and severe or unexpected weather conditions and other factors, any of which could adversely affect our business and the results of our operations. Significant and sustained increases in the price of oil, for example, could adversely impact the cost of the raw materials used in the manufacture of certain of our products, such as plastic, as well as ocean and over-the-road shipping costs. Increases in the costs of raw materials and shipping and other transportation costs and delays in the delivery of finished goods, if not offset by higher prices, could adversely impact our sales. Further, actions US trade authorities have taken, and/or may take, around tariffs and related trade policies and the associated uncertainty of how such actions may be implemented add instability to our supply-chain. Our ability to offer products at the same levels of margins our customers have grown to expect and the same level of price-value our consumers have come to expect may be impeded as a result.



***We face risks related to health epidemics and other widespread outbreaks of contagious disease, which could significantly disrupt our supply chain and impact our operating results.***

Significant outbreaks of contagious diseases, and other adverse public health developments, could have a material impact on our business operations and operating results. In December 2019, a strain of Novel Coronavirus causing respiratory illness and death emerged in the city of Wuhan in the Hubei province of China. The Chinese government took certain emergency measures to combat the spread of the virus, including extension of the Lunar New Year holiday, implementation of travel bans and closure of factories and businesses. The majority of our materials and products are sourced from suppliers located in China.

The COVID-19 virus was ultimately declared a global pandemic by the World Health Organization and spread throughout the world, including the United States, resulting in emergency measures, including travel bans, closure of retail stores, and restrictions on gatherings of more than a maximum number of people. These outbreaks are disruptive to local economies and commercial activity and create downward pressure on our ability to make our product line available to consumers or for consumers to purchase our products, even if our products are available. Despite the experience of COVID-19, we cannot be assured that some future potential health-related event will not appear and be just as, or even more, disruptive to our business. By extension it is difficult to quantify the extent of the impact this type of disease would have on our sales, net income and cash flows, but it could be quite significant.

***Our business is seasonal and therefore our annual operating results will depend, in large part, on our sales during the relatively brief holiday shopping season. This seasonality is exacerbated by retailers' shifting inventory management techniques.***

Sales of our products at retail are extremely seasonal, with a majority of retail sales occurring during the period from September through December in anticipation of the holiday season. Further, e-commerce is growing significantly and accounts for a higher portion of the ultimate sales of our products. E-commerce retailers tend to hold less inventory and take inventory closer to the time of sale to consumers than traditional brick-and-mortar retailers. As a result, customers are timing their orders so that they are being filled by suppliers, such as us, closer to the time of purchase by consumers. For our products, a majority of retail sales for the entire year generally occur in the fourth quarter, close to the holiday season. In addition, our FOB business model means that our sale takes place in conjunction with the shipping of our product out of Mainland China extending the time a customer needs to import the product into their respective country. As a consequence, the majority of our sales to our customers occur in the second and third quarters. The level of inventory carried by retailers may also reduce or delay retail sales resulting in lower revenues for us. If we or our customers determine that one of our products is more popular at retail than was originally anticipated, we may not have sufficient time to produce and ship enough additional products to fully meet consumer demand. Additionally, the logistics of supplying more and more product within shorter time periods increases the risk that we will fail to achieve tight and compressed shipping schedules and quality control, which also may reduce our sales and harm our results of operations. This seasonal pattern requires significant use of working capital, mainly to manufacture or acquire inventory during the portion of the year prior to the holiday season, and it requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of popular products or producing excess inventory of products that exceed consumer demand. Our failure to accurately predict and respond to consumer demand, resulting in under-producing popular items and/or overproducing less popular items, could significantly reduce our total sales, negatively impact our cash flows, increase the risk of inventory obsolescence, and harm our results of operations and financial condition. In addition, as a result of the seasonal nature of our business, we would be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events such as a terrorist attack or economic shock that harm the retail environment or consumer buying patterns during our key selling season, or by events such as strikes or port delays that interfere with the shipment of goods, during the critical months leading up to the holiday shopping season.

The COVID-19 pandemic has also accelerated consumers' shift to e-commerce transactions with traditional brick & mortar retailers. Some of these transactions are for "ship-to-home" purchases and some are for local pick-up by the consumer at the brick-and-mortar location. In either case, the consumer's path to discovery of new items changes to a digital medium. It remains to be seen whether this change has a negative adverse impact on consumers' ability to discover the breadth and depth of our product range or whether it discourages adding incremental unplanned purchases to the shopping cart. Either scenario could have a negative impact on our overall business performance.

***Our Costume (Disguise) business is even more seasonal than our core Toy/Consumer Products business as Halloween remains the primary purchase occasion for our costumes. This seasonality is further exacerbated by consumer migration to online shopping as the style and size attributes of the Halloween business (i.e., we make the same costume in multiple sizes, and the same item “costume” across a very wide range of brands and properties) in part behaves like an apparel-driven transaction rather than “one-size-for-all” toy/consumer product transaction.***

In 2020, COVID-19 was an unexpected shock to the market, making the traditional Halloween experience less feasible to celebrate in its traditional manner. It had a material impact on our sales of related product. Any similar event that suddenly makes the holiday less relevant or infeasible to celebrate can and likely will have a negative impact on that segment of business. Given that securing licenses, product design and development and ultimately sourcing of the product takes place over a year in advance of the actual Halloween selling season, we have limited ability to recover invested expense if the market demand for those products were to suddenly be reduced. Although some product could be held in inventory or materials rolled forward to the next manufacturing season, these events would in turn incrementally tie up our capital and add warehousing expense until the following year at best, and/or put added strain on our third-party manufacturers.

***We depend upon third-party manufacturers, and if our relationship with any of them is harmed or if they independently encounter difficulties in their manufacturing processes, we could experience product defects, production delays, unplanned costs or higher product costs, or the inability to fulfill orders on a timely basis, any of which could adversely affect our business, results of operations and financial condition.***

We depend upon many third-party manufacturers who develop, provide and use the tools, dies and molds that we generally own to manufacture our products. However, we have limited control over the manufacturing processes themselves. As a result, any difficulties encountered by the third-party manufacturers that result in product defects, production delays, cost overruns or the inability to fulfill orders on a timely basis, could adversely affect our business, results of operations and financial condition. The continuing conflict in the Middle East and its impact on the Red Sea shipping routes, as well as the climate driven transit disruptions at the Panama Canal in Middle America, may ultimately negatively impact the global flow of goods with increasing transit times and cost, which could adversely affect our ability to deliver our products in a timely manner and maintain our expected cost structure.

We do not have long-term contracts with our third-party manufacturers. Although we believe we could secure other third-party manufacturers to produce our products, our operations would be adversely affected if we suddenly lost our relationship with any of our current suppliers or if our current suppliers’ operations or sea or air transportation with our overseas manufacturers were disrupted or terminated even for a relatively short period of time. Our tools, dies and molds are located at the facilities of our third-party manufacturers. Although we own the majority of those tools, dies and molds, our ability to retrieve them and move them to a new manufacturer in a cost-neutral manner might be limited by lack of manufacturing equipment compatibility.

Although we do not purchase the raw materials used to manufacture our products, we are potentially subject to variations in the prices we pay our third-party manufacturers for products, depending upon what they pay for their raw materials. We may also incur costs or other losses as a result of not placing orders consistent with our forecasts for products manufactured by our suppliers or manufacturers for a variety of reasons including customer order cancellations or a decline in demand. In the event that some unexpected shock to the market (like the COVID-19 pandemic or a sudden trade war) were to suddenly drastically change demand or costing for product anticipated to be procured from our third-party manufacturers, we may incur some costs relating to raw materials they have ordered on our behalf, and/or finished goods that were not shipped due to last-minute cancelled orders from our customers buying FOB from China.

Although our manufacturers bear the foreign-exchange risk by committing to USD/HKD pricing despite having non-USD/HKD cost elements, we could nonetheless be adversely impacted if they fail to manage that risk accordingly. In that event, the predictable flow of product at the prices we expect could be disrupted, and we may not have adequate time to source comparable product elsewhere in time to avoid disruptions in our selling cycle.

***The toy industry is highly competitive and our inability to compete effectively may materially and adversely impact our business, results of operations and financial condition.***

The toy industry is highly competitive. Globally, certain of our competitors have financial and strategic advantages over us, including:

- *greater financial resources;*
- *larger sales, marketing and product development departments;*
- *stronger brand name recognition and/or well-established owned brands/trademark;*
- *broadier international sales and marketing infrastructure;*
- *greater financial resources derived by higher-margin, higher-growth ancillary (non-toy) businesses;*
- *lower overhead costs due to operating as a privately-owned company;*
- *longer operating histories; and*
- *greater economies of scale, inclusive of purchasing power and leverage of their investments across a range of areas, inclusive but not limited to research, technology, data analytics and strategic sourcing.*

In addition, the toy industry has no significant barriers to entry. Competition is based primarily upon the ability to design and develop new toys, procure licenses for popular characters and trademarks, and successfully market products. Many of our competitors offer similar products or alternatives to our products. Our competitors have obtained and are likely to continue to obtain licenses that overlap our licenses with respect to products, geographic areas and retail channels. We cannot assure you that we will be able to obtain adequate shelf space in retail stores to support our existing products, expand our products and product lines or continue to compete effectively against current and future competitors.

***Our corporate headquarters, fulfillment center and information technology systems are in Southern California, and if these operations are disrupted, we may not be able to operate our core functions and/or ship merchandise to our customers, which would adversely affect our business.***

Our corporate headquarters, distribution center and information technology systems are in Santa Monica and the City of Industry, California, and most of our U.S.-based staff lives in Southern California. If we encounter any disruptions to our operations within these buildings, or if they were to shut down for any reason, including by earthquake, fire or other natural disaster, or as a result of another pandemic, then we may be prevented from effectively operating, shipping and processing our merchandise. Furthermore, the risk of disruption or shut down at these buildings and/or within the Southern California community is greater than it might be if they were in another region as Southern California is prone to natural disasters such as earthquakes and wildfires. Any disruption or shut down at these locations could significantly impact our operations and have a material adverse effect on our financial condition and results of operations. In addition, it is possible that our business operations will be adversely impacted by future climate changes, albeit in ways we cannot predict or quantify at this time.

***We have substantial sales and manufacturing operations outside of the United States, subjecting us to risks common to international operations.***

We sell products and operate facilities in numerous countries outside the United States. Sales to our international customers comprised approximately 21.1% of our net sales for the year ended December 31, 2024, and approximately 21.6% of our net sales for year ended December 31, 2023. We expect our sales to international customers to account for a greater portion of our revenues in future fiscal periods. Additionally, we use third-party manufacturers, located principally in China, and are subject to the risks normally associated with operations, including:

- *currency conversion risks and currency fluctuations;*
- *limitations, including taxes, on the repatriation of earnings;*
- *political instability, including wars and civil unrest, and economic instability;*
- *greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;*
- *complications in complying with laws in varying jurisdictions and changes in governmental policies;*
- *greater difficulty and expenses associated with recovering from natural disasters, such as earthquakes, hurricanes and floods;*
- *transportation delays and interruption, inclusive of raw material's sourcing to our third-party manufacturers as well as finished goods delivery through to our customers and ultimate consumers;*
- *work stoppages;*
- *trade wars in general and the potential imposition of tariffs specifically; and*
- *the pricing of intercompany transactions may be challenged by taxing authorities in both foreign jurisdictions and the United States, with potential increases in income and other taxes.*

Our reliance upon external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary, but not in a cost-neutral manner. However, if we were prevented from obtaining products or components for a material portion of our product line due to regulatory, political, labor or other factors beyond our control, our operations would be disrupted while alternative sources of products were secured. Also, the imposition of trade sanctions by the United States against a class of products imported by us from, or the loss of “normal trade relations” status by China could significantly increase our cost of products imported from that nation. Because of the importance of international sales and international sourcing of manufacturing to our business, our results of operations and financial condition could be significantly and adversely affected if any of the risks described above or similar type of risks were to occur.

***Legal proceedings may harm our business, results of operations, and financial condition.***

We are a party to lawsuits and other legal proceedings in the normal course of our business. Litigation and other legal proceedings can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. We cannot provide assurance that we will not be a party to additional legal proceedings in the future. To the extent legal proceedings continue for long time periods or are adversely resolved, our business, results of operations, and financial condition could be significantly harmed.

***Our business is subject to extensive government regulation and any violation by us of such regulations could result in product liability claims, loss of sales, diversion of resources, damage to our reputation, increased warranty costs or removal of our products from the market, and we cannot assure you that our product liability insurance for the foregoing will be sufficient.***

Our business is subject to various laws, including the Federal Hazardous Substances Act, the Consumer Product Safety Act, the Flammable Fabrics Act and the rules and regulations promulgated under these acts. These statutes are administered by the Consumer Product Safety Commission (“CPSC”), which has the authority to remove from the market products that are found to be defective and present a substantial hazard or risk of serious injury or death. The CPSC can require a manufacturer to recall, repair or replace these products under certain circumstances. We cannot assure you that defects in our products will not be alleged or found. Any such allegations or findings could result in:

- *product liability claims;*
- *loss of sales;*
- *diversion of resources;*
- *damage to our reputation;*
- *loss of licensed rights;*
- *removal of our products from the market and/or destruction of existing inventory and/or write-off of existing-related tooling.*

Any of these results may adversely affect our business, results of operations and financial condition. There can be no assurance that our product liability insurance will be sufficient to avoid or limit our loss in the event of an adverse outcome of any product liability claim.

***We depend upon our proprietary rights, and our inability to safeguard and maintain the same, or claims of third parties that we have violated their intellectual property rights, could have a material adverse effect on our business, results of operations and financial condition.***

We rely upon trademark, copyright and trade secret protection, nondisclosure agreements and licensing arrangements to establish, protect and enforce our proprietary rights in our products. The laws of certain foreign countries may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States. We cannot assure you that we or our licensors will be able to successfully safeguard and maintain our proprietary rights. Further, certain parties have commenced legal proceedings or made claims against us based upon our alleged patent infringement, misappropriation of trade secrets or other violations of their intellectual property rights. We cannot assure you that other parties will not assert intellectual property claims against us in the future. These claims could divert our attention from operating our business or result in unanticipated legal and other costs, which could adversely affect our business, results of operations and financial condition.

***Restructuring our workforce can be disruptive and harm the results of our operations and financial condition.***

We have in the past restructured or made other adjustments to our workforce in response to the economic environment, performance issues, acquisitions, and other internal and external considerations. Restructurings can among other things result in a temporary lack of focus, reductions in net sales and reduced productivity. In addition, we may be unable to realize the anticipated cost savings from our previously announced restructuring efforts or may incur additional and/or unexpected costs to realize the anticipated savings. The amounts of anticipated cost savings and anticipated expenses-related restructurings are based on our current estimates, but they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from those previously planned. These impacts, among others, could occur in connection with previously announced restructuring efforts, or related to future acquisitions and other restructurings and, as a result, our results of operations and financial condition could be negatively affected.

***The inability to successfully defend claims from taxing authorities or the adoption of new tax legislation could adversely affect the results of our operations and financial condition.***

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those jurisdictions. Due to the complexity of tax laws in those jurisdictions as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from tax authorities related to these differences could have an adverse impact on the results of our operations and financial condition. In addition, legislative bodies in the various countries in which we do business may from time to time adopt new tax legislation that could have a material adverse effect on our business, results of operations and financial condition.

***We may not be able to sustain or manage our product line growth, which may prevent us from increasing our net revenues.***

Historically, we experienced growth in our product lines through acquisitions of businesses, products and licenses. This growth in product lines has contributed significantly to our total revenues over the years. Even though we have had no significant acquisitions since 2012, comparing our future period-to-period operating results may not be meaningful and results of operations from prior periods may not be indicative of future results. We cannot assure that we will be able to experience growth in, or maintain our present level of, net sales.

Our growth strategy calls for us to continuously develop and diversify our toy business by acquiring other companies, entering into additional license agreements, refining our product lines, expanding into adjacent Toys/Consumer Products/Costume categories and expanding into international markets, which will place additional demands upon our management, operational capacity and financial resources and systems. The increased demand upon management may necessitate our recruitment and retention of additional qualified management personnel. We cannot assure that we will be able to recruit and retain qualified personnel or expand and manage our operations effectively and profitably. To effectively manage future growth, we must continue to expand our operational, financial and management information systems and to train, motivate and manage our workforce. There can be no assurance that our operational, financial and management information systems will be adequate to support our future operations. Failure to expand our operational, financial and management information systems or to train, motivate or manage employees could have a material adverse effect on our business, results of operations and financial condition.

In addition, implementation of our growth strategy is subject to risks beyond our control, including competition, market acceptance of new products, changes in economic conditions, our ability to obtain or renew licenses on commercially reasonable terms, our ability to identify acquisition candidates and conclude acquisitions on acceptable terms, and our ability to obtain the required consents from certain lenders and finance increased levels of accounts receivable and inventory necessary to support our sales growth, if any. Accordingly, we cannot assure that our growth strategy will be successful.

***Failures of our computer-based information technology and cybersecurity breaches could damage our business.***

We use computer-based technology systems to conduct significant operational activities and to maintain our business records. These systems are dependent upon the global world-wide web infrastructure known as the “internet”. A material breach in the security of our computer technology systems could result in third parties obtaining or altering the company’s data, including sensitive data of our customers, suppliers, and employees. We experienced a threat to the security of our computer systems in December 2022 which resulted in the leakage of certain data, including information about our employees. Although that incident did not result in material damage to our operations or cash flow, there is no assurance that any future material breach of the security of our computer systems would not occur, and such occurrences could have a material and adverse effect on our financial position, results of operations and cash flows.

***We rely extensively on information technology in our operations, and any material failure, inadequacy, or interruption of that technology could have a material adverse impact on our business.***

We rely extensively on information technology systems across our operations, including for management of our supply chain, sale and delivery of our products and services, reporting our results of operations, collection and storage of consumer data, data of customers, employees and other stakeholders, and various other processes and transactions. Many of these systems are managed by third-party service providers. We use third-party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions. In any given year, a small volume of our consumer products and services may rely on a component or element which is internet-enabled, and may be offered in conjunction with business partners or such third-party service providers. We, our business partners and third-party service providers may collect, process, store and transmit consumer data, including personal information, in connection with those products and services. Failure to follow applicable regulations related to those activities, or to prevent or mitigate data loss or other security breaches, including breaches of our business partners' technology and systems, could expose us or our customers to a risk of loss or misuse of such information, which could adversely affect our results of operations, result in regulatory enforcement or other litigation and could be a potential liability for us, and otherwise significantly harm our business. Our ability to effectively manage our business and coordinate the production, distribution, and sale of our products and services depends significantly on the reliability and capacity of these systems and third-party service providers.

Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party provider, such measures cannot provide absolute security. If our systems or our third-party service providers' systems fail to operate effectively or are damaged, destroyed, or shut down, or there are problems with transitioning to upgraded or replacement systems, or there are security breaches in these systems, any of the aforementioned could occur as a result of natural disasters, human error, software or equipment failures, telecommunications failures, loss or theft of equipment, acts of terrorism, circumvention of security systems, or other cyber-attacks, including denial-of-service attacks, we could experience delays or decreases in product sales, and reduced efficiency of our operations. Additionally, any of these events could lead to violations of continually evolving privacy laws, loss of customers, or loss, misappropriation or corruption of confidential information, trade secrets or data, which could expose us to potential litigation, regulatory actions, sanctions or other statutory penalties, any or all of which could adversely affect our business and cause us to incur significant losses and remediation costs.

The COVID-19 pandemic required most of our employees to work remotely, putting unprecedented strain on our information technology resources and infrastructure. Although in 2022 we defaulted back to a more traditional on-premise work model, we continue to support a higher degree of work-from-home opportunities than we did pre-COVID-19 ("the work-from-home model"). Although our policies and procedures continue to adjust and adapt informed by our own experiences and market norms, we cannot say with certainty what level of hybrid work we will continue to support as we move forward. With that in mind, we cannot be sure how remote work may generate an increase in new and unforeseen risks of business disruption and/or increased complexity across the range of functions that comprise the Company's daily activities. In addition, the work-from-home model may increase our vulnerability to hacking and other nefarious activities as employees adjust to new hardware/software infrastructure, resources and processes as well as close the gap created by no longer being in close physical proximity to their colleagues. Although all employees are required to use work infrastructure and our secure VPN, we cannot be completely certain that we will not have increased exposure to security considerations in this environment.



***If we are unable to acquire and integrate companies and new product lines successfully, we will be unable to implement a significant component of our growth strategy.***

Our growth strategy depends, in part, upon our ability to acquire companies and new product lines. Future acquisitions, if any, may succeed only if we can effectively assess characteristics of potential target companies and product lines, such as:

- *attractiveness of products;*
- *suitability of distribution channels;*
- *management ability;*
- *financial condition and results of operations;*
- *supply-chain resilience and competitive advantage;*
- *the degree to which acquired operations can be seamlessly integrated with our organization; and*
- *appropriate valuation and our ability to create substantially more value post-acquisition.*

We cannot assure you that we can identify attractive acquisition candidates or negotiate acceptable acquisition terms, and our failure to do so may adversely affect our results of operations and our ability to sustain growth. Our acquisition strategy involves several risks, each of which could adversely affect our operating results, including:

- *difficulties in integrating acquired businesses or product lines, assimilating new facilities and personnel, and harmonizing diverse business strategies and methods of operation;*
- *diversion of management attention from operation of our existing business;*
- *loss of key personnel and institutional knowledge from acquired companies;*
- *failure of an acquired business to achieve targeted financial results, inclusive of working capital needs;*
- *limited capital to finance acquisitions and/or fund appropriate working capital post-acquisition; and*
- *inability to maintain or secure relevant licenses to maintain or expand the net sales of acquired business.*

***We may engage in strategic transactions that could negatively impact our liquidity, increase our expenses and present significant distractions to our management.***

We may consider strategic transactions and business arrangements, including, but not limited to, acquisitions, asset purchases, partnerships, joint ventures, restructurings, divestitures and investments. Any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could harm our operations and financial results.

***If securities or industry analysts publish inaccurate or unfavorable research about our business, the price and trading volume of our common stock could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our common stock, publishes inaccurate or unfavorable research about our business, or sets unreasonable expectations or makes erroneous assumptions about our future performance which ultimately are not achieved, the price of our common stock would likely decline. If one or more of these analysts cease coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause the price of our common stock and trading volume to decline.



***We have a small public float compared to other larger publicly-traded companies, which may result in price swings in our common stock or make it difficult to acquire or dispose of our common stock.***

This small public float can result in large swings in our stock price with relatively low trading volume. In addition, a purchaser that seeks to acquire a significant number of shares may be unable to do so without increasing our common stock price, and conversely, a seller that seeks to dispose of a significant number of shares may experience a decreasing stock price.

***Our stock price has been volatile over the past several years and could decline in the future, resulting in losses for our investors.***

All the factors discussed in this section, disclosures made in other parts of this Annual Report on Form 10-K, or any other material announcements or events could affect our stock price. In addition, quarterly fluctuations in our operating results, changes in investor and analyst perception of the business risks and conditions of our business, our ability to meet earnings estimates and other performance expectations of financial analysts or investors, unfavorable commentary or downgrades of our stock by research analysts, fluctuations in the stock prices of other toy companies or in stock markets in general, and general economic or political conditions could also cause the price of our stock to change. A significant drop in the price of our stock could expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, adversely affecting our business.

***We have a valuation allowance on a portion of the deferred taxes on our books since their future realization is uncertain.***

Deferred tax assets are realized by prior and future taxable income of appropriate character. Current accounting standards require that a valuation allowance be recorded if it is not likely that sufficient taxable income of appropriate character will be generated to realize the deferred tax assets. We currently believe that based on the available information, it is more likely than not that a portion of the deferred tax assets, related to capital losses, will not be realized.

***We have a material amount of goodwill which, if it becomes impaired, would result in a reduction in our net earnings.***

Goodwill is the amount by which the cost of an acquisition exceeds the fair value of the net assets we acquire. Goodwill is not amortized and is required to be evaluated for impairment at least annually. At December 31, 2024, \$35.1 million, or 7.9% of our total assets represented goodwill. Declines in our profitability may impact the fair value of our reporting units, which could result in a write-down of our goodwill and consequently harm the results of our operations. We did not record any goodwill impairment charges during 2024, 2023 or 2022. In the future, if we do not maintain our profitability and growth targets, the carrying value of our goodwill may become impaired, resulting in impairment charges.

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

JAKKS has adopted a cybersecurity framework to help manage and mitigate cybersecurity risks.

JAKKS has implemented cybersecurity policies, processes and procedures to aid in the identification, protection, detection of cyber related issues, and the response to and recovery from cybersecurity breaches. A summary of the principal activities JAKKS has undertaken to strengthen its cybersecurity posture and mitigate its cybersecurity risks:

- A subcommittee of the Board of Directors has been established to oversee and manage the company's risk, response, and recovery policies, processes, and procedures related to, and stemming from, cyber-related issues;
- Purchased cybersecurity risk insurance to protect against potential losses arising from a cybersecurity incident;
- Implementation of quarterly vulnerability and penetration tests to identify, and if necessary, remediate, any potential risk to the organization;
- Engaged two (2) third-party service providers to continuously monitor JAKKS systems for anomalous activity (24 hours a day, 365 days a year);
- Conduct disaster recovery exercise on a yearly basis;
- Implemented a revised and updated phishing email training program; and
- Retained a consultant to act as the Company's Virtual Chief Information Security Officer (VCISO), who has more than 20 years of experience in various cybersecurity roles (e.g., managing information security, developing cybersecurity strategies, implementing cybersecurity and incident response programs, etc.) to oversee the implementation and performance of the Company's cybersecurity program.

As part of our cybersecurity program, the Company's VCISO, Senior Vice President of Operations and Vice President of Information Technology, collectively referred to as our "Cybersecurity Team," reviews our cybersecurity posture, identifies areas in need of improvement, and helps foster a culture of compliance (including training of all employees). Our Vice President of Information Technology has over 20 years of experience in various roles involving managing information security, developing cybersecurity strategy, and implementing cybersecurity program. The Company's program also includes activities to respond to and recover from cybersecurity incidents, including processes to triage, assess severity, investigate, escalate, contain, and remediate an incident, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage.

Our Cybersecurity Team assesses cybersecurity risks, including those related to our supply chain and third-party service providers that have access to our systems or facilities where JAKKS' data is stored. The team assesses how cybersecurity risks affect or are reasonably likely to materially affect the Company, including our operations or financial position. Our Cybersecurity Team is responsible for the Company's risk assessment, risk management, disaster recovery, and auditing of JAKKS overall cybersecurity program. The Cybersecurity Team meets with the Cybersecurity Subcommittee of the Board of Directors to discuss, identify, and address cybersecurity risks and review updates to our risk management program to ensure cybersecurity risks to the organization are mitigated. For further discussion of the risks associated with cybersecurity incidents, see the cybersecurity risk factors beginning on page 22 of the section entitled "Item 1A. Risk Factors" in this Form 10-K.

In December 2022, the Company learned of a cybersecurity threat to its information technology system ("IT System"), and that certain data, including personal data of employees, had been extracted from the Company's IT System. Upon learning of the cybersecurity threat, the Company launched an investigation and undertook prompt action, including employing containment protocols to mitigate the impact of the threat, engaging third-party information technology cyber security and forensics experts and special legal counsel, and utilizing additional security measures to help safeguard the integrity of its IT System's infrastructure and the data contained therein. The Company has not identified any material damage suffered from the incident.

**Item 2. Properties**

The following is a listing of the principal leased offices maintained by us as of March 6, 2025

| Property                        | Location                     | Approximate<br>Square Feet | Lease Expiration<br>Date |
|---------------------------------|------------------------------|----------------------------|--------------------------|
| <i>US</i>                       |                              |                            |                          |
| Distribution Center             | City of Industry, California | 800,000                    | August 31, 2029          |
| Disguise Office                 | Poway, California            | 24,200                     | June 30, 2028            |
| Corporate Headquarters/Showroom | Santa Monica, California     | 65,858                     | January 31, 2029         |
| <i>International</i>            |                              |                            |                          |
| Europe Office                   | Bracknell, United Kingdom    | 8,957                      | January 19, 2027         |
| Hong Kong Headquarters          | Kowloon, Hong Kong           | 18,500                     | June 30, 2025            |
| Italy Office and Warehouse      | Piacenza, Italy              | 26,189                     | August 31, 2029          |

We believe our facilities are suitable for their intended uses and, in conjunction with our third-party contract manufacturing agreements, provide adequate capacity and are sufficient to meet our expected needs.

**Item 3. Legal Proceedings**

For information regarding our legal proceedings, see Item 8 “Consolidated Financial Statements and Supplementary Data Note 19 – Litigation and Contingencies.”

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

#### Market Information

Our common stock is traded on the Nasdaq Global Select exchange under the symbol “JAKK.”

#### Security Holders

To the best of our knowledge, as of February 18, 2025, there were 48 holders of record of our common stock.

#### Dividends

The payment of dividends on common stock is at the discretion of the Board of Directors and is subject to customary limitations and may be subject to certain restrictions under our credit facility. No dividends were declared or paid in 2024. However, on February 20, 2025, we issued a press release announcing that our Board of Directors declared a quarterly cash dividend of \$0.25 per common share. The dividend will be payable on March 31, 2025 to shareholders of record at the close of business on March 3, 2025.

#### Compensation Plan Information

The table below sets forth the following information as of the year ended December 31, 2024, for (i) all compensation plans previously approved by our stockholders and (ii) all compensation plans not previously approved by our stockholders, if any:

(a) the number of securities to be issued upon the exercise of outstanding options, warrants and rights;

(b) the weighted-average exercise price of such outstanding options, warrants and rights; and

(c) other than securities to be issued upon the exercise of such outstanding options, warrants and rights, the number of securities remaining available for future issuance under the plans.

| Plan Category                                              | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column (c) |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders     | —                                                                                               | —                                                                               | 1,793,551                                                                                                                                  |
| Equity compensation plans not approved by security holders | —                                                                                               | —                                                                               | —                                                                                                                                          |
| <b>Total</b>                                               | <b>—</b>                                                                                        | <b>—</b>                                                                        | <b>1,793,551</b>                                                                                                                           |

Equity compensation plans approved by our stockholders consist of the 2002 Stock Award and Incentive Plan. An additional 1.0 million, 1.0 million, 3.6 million, 2.5 million and 1.4 million shares were added to the number of total issuable shares under the Plan and approved by the Board in 2023, 2021, 2019, 2017, and 2013, respectively. Additionally, no shares subject to restricted stock awards and no stock options remained unvested and no restricted stock awards and no stock options have been issued as of December 31, 2024. Disclosures with respect to equity issuable to certain of our executive officers pursuant to the terms of their employment agreements are disclosed below under Item 11.

#### Issuer Purchases of Equity Securities

There were no issuer purchases of equity securities in the fourth quarter of 2024.

#### Issuer Unregistered Sale of Equity Securities

There were no issuer sales of unregistered equity securities in the fourth quarter of 2024.

#### Item 6. *[Reserved]*

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. You should read this section in conjunction with our consolidated financial statements and the related notes included in Item 8 "Consolidated Financial Statements and Supplementary Data."*

**Critical Accounting Estimates**

The accompanying consolidated financial statements and supplementary information were prepared in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are discussed in Note 2 to the Consolidated Financial Statements, included within Item 8. Inherent in the application of many of these accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets and liabilities. As such, materially different financial results can occur as circumstances change and additional information becomes known. The estimates with the greatest potential effect on our results of operations and financial position include:

**Allowance for Current Expected Credit Losses.** Our allowance for current expected credit losses is based upon management's assessment of the business environment, customers' risk profile characteristics, historical collection and loss information, aging of accounts receivables, and other matters specific to customer accounts in the establishment of pools. If there were a deterioration of a major customer's creditworthiness, or actual defaults were higher than our current expected credit losses, our estimates of the recoverability of amounts due to us could be misstated, which could have an adverse impact on our operating results. Our allowance for current expected credit losses is also affected by the time at which uncollectible accounts receivable balances are actually written off. Management believes the accounting estimate related to the allowance for current expected credit losses is a "critical accounting policy" because judgement is required in the establishment of pools based on customer risk profile characteristics and the historical loss rates applied to each pool. In addition, the allowance requires judgement since it involves estimation of the impact of both current and future economic factors in relation to its customers' risk profile characteristics. Changes in the assumptions used to develop the estimates could materially affect key financial measures, including other selling and administrative expenses, net income and accounts receivable.

**Royalties.** We enter into license agreements with strategic partners, inventors, designers and others for the use of intellectual properties in its products. These agreements may call for payment in advance or future payment of minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to expense when the related revenue is recognized in the consolidated statements of operations. If all or a portion of the minimum guaranteed amounts appear not to be recoverable through future use of the rights obtained under the license, the non-recoverable portion of the guaranty is charged to expense at that time. On a quarterly basis, we evaluate the recoverability of minimum guarantee amounts based on forecast revenues to be received for the products and record a shortfall reserve for expected unrecoverable amounts. If our actual revenue generated differs from our projections, the recoverability of our minimum guarantees would be impacted and could materially affect key financial measures, including gross profit, net income and prepaid assets.

**Fair value measurements.** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we use various methods including market, income and cost approaches. Based upon these approaches, we often utilize certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or unobservable inputs. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observable inputs used in the valuation techniques, we are required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values into three broad levels as follows:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based upon the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability (see Item 8 "Consolidated Financial Statements and Supplementary Data Note 15 - Fair Value Measurements" for further information).

**Reserve for Inventory Obsolescence.** We value our inventory at the lower of cost or net realizable value. Based upon consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value.

Failure to accurately predict and respond to consumer demand could result in us under-producing popular items or over-producing less popular items. Furthermore, significant changes in demand for our products would impact management's estimates in establishing our inventory provision.

Management's estimates are monitored on a quarterly basis, and a further adjustment to reduce inventory to its net realizable value is recorded as an increase in the cost of sales when deemed necessary under the lower of cost or net realizable value standard. Significant changes in the assumptions used to develop the estimate could materially affect key financial measures, including gross profit, net income and inventories.

**Reserve for Sales Returns and Allowances.** We routinely enter into arrangements with our customers to provide sales incentives, support customer promotions and provide allowances for returns and defective merchandise. Such programs are based primarily on customer purchases, customer performance of specified promotional activities and other specified factors such as sales to consumers. Management believes that the accounting estimates related to sales adjustments are "critical accounting policies" because significant judgment is required to estimate related accruals, such as estimating volumes of defective products to support reserves for defective merchandise and estimating future customer performance and consumer preferences that could impact the discretionary sales promotions. Significant changes in the assumptions used to develop the estimates could materially affect key financial measures, such as net sales, gross profit, net income, and reserve for sales returns and allowances.

**Income Allocation for Income Taxes.** Our annual income tax provision and related income tax assets and liabilities are based upon actual income as allocated to the various tax jurisdictions based upon our transfer pricing study, US and foreign statutory income tax rates and tax regulations and planning opportunities in the various jurisdictions in which we operate. Significant judgment is required in interpreting tax regulations in the U.S. and foreign jurisdictions, and in evaluating worldwide uncertain tax positions. Actual results could differ materially from those judgments, and changes from such judgments could materially affect our consolidated financial statements.

**Income taxes.** We do not file a consolidated return for our foreign subsidiaries. We file federal and state returns and our foreign subsidiaries each file returns in their respective jurisdictions, as applicable. Deferred taxes are provided on an asset and liability method. Deferred tax assets are recognized as deductible temporary differences, operating losses, or tax credit carry-forwards. Deferred tax liabilities are recognized as taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

We must assess the likelihood that we will be able to recover our deferred tax assets. Deferred tax assets are reduced by a valuation allowance, if, based upon the weight of available evidence, it is more likely than not that we will not realize some portion or all of the deferred tax assets. We consider all available positive and negative evidence when assessing whether it is more likely than not that deferred tax assets are recoverable. We consider evidence such as our past operating results, the existence of cumulative losses or cumulative income in previous periods and our forecast of future taxable income. We believe this to be a critical accounting policy because should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determine that the recovery is not likely, as well as decrease in the period in which the assessment of the recoverability of the deferred tax assets reverses, which could have a material impact on our results of operations.

We accrue a tax reserve for additional income taxes and interest, which may become payable in future years as a result of audit adjustments by tax authorities. The reserve is based upon management's assessment of all relevant information and is periodically reviewed and adjusted as circumstances warrant. As of December 31, 2024, our income tax reserves were approximately \$3.2 million and relate to federal and state income taxes.

We recognize current period interest expense and penalties and the reversal of previously recognized interest expense and penalties that has been determined to not be assessable due to the expiration of the related audit period or other compelling factors on the income tax liability for unrecognized tax benefits as a component of the income tax provision recognized in the consolidated statements of operations.

### Recent Accounting Pronouncements.

See Item 8 “Consolidated Financial Statements and Supplementary Data Note 2 - Summary of Significant Accounting Policies.”

### Results of Operations

The following table sets forth, for the periods indicated, certain statement of operations data as a percentage of net sales. A discussion of the operating results for 2023 can be found in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 15, 2024, in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations.

|                                                              | Year Ended December 31, |        |
|--------------------------------------------------------------|-------------------------|--------|
|                                                              | 2024                    | 2023   |
| Net sales                                                    | 100.0%                  | 100.0% |
| Less: Cost of sales                                          |                         |        |
| Cost of goods                                                | 52.3                    | 50.9   |
| Royalty expense                                              | 15.5                    | 16.5   |
| Amortization of tools and molds                              | 1.4                     | 1.2    |
| Cost of sales                                                | 69.2                    | 68.6   |
| Gross profit                                                 | 30.8                    | 31.4   |
| Direct selling expenses                                      | 5.8                     | 5.2    |
| General and administrative expenses                          | 19.2                    | 17.8   |
| Depreciation and amortization                                | 0.1                     | 0.1    |
| Selling, general and administrative expenses                 | 25.1                    | 23.1   |
| Income from operations                                       | 5.7                     | 8.3    |
| Loss from joint ventures                                     | —                       | (0.1)  |
| Other income (expense), net                                  | 0.1                     | 0.1    |
| Change in fair value of preferred stock derivative liability | —                       | (1.1)  |
| Loss on debt extinguishment                                  | —                       | (0.1)  |
| Interest income                                              | 0.1                     | 0.2    |
| Interest expense                                             | (0.2)                   | (0.9)  |
| Income before provision for income taxes                     | 5.7                     | 6.4    |
| Provision for income taxes                                   | 0.8                     | 1.0    |
| Net income                                                   | 4.9                     | 5.4    |
| Net income attributable to JAKKS Pacific, Inc.               | 4.9%                    | 5.4%   |
| Net income attributable to common stockholders               | 5.1%                    | 5.2%   |

The following table summarizes, for the periods indicated, certain statement of operations data by segment (in thousands).

|                        | Year Ended December 31, |            |
|------------------------|-------------------------|------------|
|                        | 2024                    | 2023       |
| <b>Net Sales</b>       |                         |            |
| Toys/Consumer Products | \$ 570,018              | \$ 580,686 |
| Costumes               | 121,024                 | 130,871    |
|                        | 691,042                 | 711,557    |
| <b>Cost of Sales</b>   |                         |            |
| Toys/Consumer Products | 389,534                 | 388,260    |
| Costumes               | 88,487                  | 99,944     |
|                        | 478,021                 | 488,204    |
| <b>Gross Profit</b>    |                         |            |
| Toys/Consumer Products | 180,484                 | 192,426    |
| Costumes               | 32,537                  | 30,927     |
|                        | \$ 213,021              | \$ 223,353 |

**Comparison of the Years Ended December 31, 2024 and 2023****Net Sales**

*Toys/Consumer Products.* Net sales of our Toys/Consumer Products segment were \$570.0 million in 2024, compared to \$580.7 million in 2023, representing a decrease of \$10.7 million, or 1.8%. The decrease in net sales was primarily due to lower sales in the 1-2% range in each of our Dolls, Role Play and Dress Up Division, Action Play & Collectibles Division and Seasonal Division. Movie properties such as Sonic the Hedgehog 3 and Disney's Moana 2 helped sales in 2024, but were offset by lower shipping from prior year movie properties such as The Super Mario Bros. Movie, Disney's The Little Mermaid, Disney's Wish and Disney's Encanto.

*Costumes.* Net sales of our Costumes segment were \$121.0 million in 2024, compared to \$130.9 million in 2023, representing a decrease of \$9.9 million, or 7.6%. The decrease in net sales was primarily driven by US customers recalibrating their order levels down based on Halloween 2023 sell-through. Despite the lower sales in the US, our International sales grew in 2024 to the highest year ever.

**Cost of Sales**

*Toys/Consumer Products.* Cost of sales of our Toys/Consumer Products segment was \$389.5 million, or 68.3% of related net sales in 2024 compared to \$388.3 million, or 66.9% of related net sales in 2023 representing an increase of \$1.2 million or 0.3%. Although royalty rates were lower year-over-year, the increase in the cost of sales percentage of net sales, year-over-year is due to higher inventory obsolescence costs.

*Costumes.* Cost of sales of our Costumes segment was \$88.5 million, or 73.1% of related net sales for 2024 compared to \$99.9 million, or 76.3% of related net sales for 2023 representing a decrease of \$11.4 million, or 11.4%. The year-over-year decrease in dollars is directly attributable to lower volume. The decrease in percent of net sales is attributable lower royalty expense due to lower royalty guarantee shortfalls and marginal improvements in product cost of goods attributable to mix and design for improved margin.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses were \$173.3 million in 2024 and \$164.2 million in 2023, constituting 25.1% and 23.1% of net sales, respectively. Selling, general and administrative expenses increased from the prior year primarily driven by higher media costs, product development expenses and employee compensation.

**Loss on Debt Extinguishment**

In 2023, we recognized a loss on debt extinguishment of \$1.0 million in connection with the extinguishment of the 2021 BSP Term Loan in June 2023.

**Change in fair value of the preferred stock derivative liability**

The change in fair value of the preferred stock derivative liability for year ended December 31, 2024, was nil, as the Company had redeemed all the outstanding preferred shares on March 11, 2024. The change in fair value for the year ended December 31, 2023, was \$8.0 million reflecting the results of the fair value estimation driven mainly by the accrual of dividends and changes in unobservable inputs such as discount rate and change-in-control assumptions.

**Interest Income**

Interest Income was \$0.8 million for the year ended December 31, 2024, as compared to \$1.3 million in the prior year period. Interest income earned is primarily due to the Company's money market investments.

**Interest Expense**

Interest expense was \$1.1 million for the year ended December 31, 2024, as compared to \$6.5 million in the prior year period. In 2024, we recorded interest expense of \$1.1 million related to our revolving credit facility. In 2023, we recorded interest expense of \$3.2 million related to our 2021 BSP Term Loan, \$0.7 million related to our revolving credit facility and \$2.6 million related to other borrowing costs.



## Provision for Income Taxes

During 2024, our income tax expense, which includes federal, state and foreign income taxes and discrete items, was \$5.5 million, or an effective tax rate of 13.9%. The 2024 tax expense included a discrete tax benefit of \$1.4 million primarily comprised of return to provision adjustments. Absent these discrete tax benefits, our effective tax rate for 2024 was 17.4%, primarily due to taxes on federal, state, and foreign income.

During 2023, our income tax expense, which includes federal, state and foreign income taxes and discrete items, was \$6.8 million, or an effective tax rate of 15.2%. The 2023 tax expense included a discrete tax benefit of \$2.7 million primarily comprised of valuation allowance adjustments. Absent these discrete tax benefits, our effective tax rate for 2023 was 21.3%, primarily due to taxes on federal, state, and foreign income.

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets by jurisdiction. Based on our evaluation of all positive and negative evidence, as of December 31, 2024, a valuation allowance of \$0.7 million has been recorded against the deferred tax assets that more likely than not will not be realized. The net deferred tax asset change of \$2.3 million consists of the net deferred tax asset changes in the US and foreign jurisdictions, where we are in a cumulative income position.

### ***Uncertainties that may have a significant impact on net sales and income (loss) from operations***

Significant outbreaks of contagious diseases, and other adverse public health developments, could have a material impact on our business operations and operating results. The immediate and lingering impact of the 2019 COVID-19 pandemic added additional risk and complexity to the Company's operations. In addition, the history of smaller scale epidemics in Hong Kong/China (e.g., "bird flu") highlights an additional risk given that substantially all of our product is sourced from China and our Hong Kong operation is foundational to our business model. We cannot quantify the extent that any new outbreak might have on our sales, net income and cash flows, but it could be significant.

In the first quarter of 2022, Russia and Ukraine engaged in an armed conflict that continues. We cannot predict at this time the length of this conflict and if it will spread to other countries. Accordingly, we cannot quantify at this time if, or the extent, this conflict will adversely impact our business operations.

The suggestion that the U.S. will take unilateral action to impose tariffs on products imported from China creates significant uncertainty about our ability to source products with a cost structure consistent with our recent history. The additional suggestion that the U.S. will take unilateral action to impose tariffs on products imported from Canada and/or Mexico also creates significant uncertainty about which additional markets could be targeted for new tariffs. It also increases the possibility that markets outside the U.S. could institute retaliatory tariffs that would ultimately increase the cost of our doing business in those markets where we import product. In addition, our customer base may face significant increased costs in importing our product from Hong Kong into their home markets. In the event our customers choose to raise consumer prices to offset these costs, negative consumer reaction could substantially reduce unit demand for our product line, and by extension lower sales. Lower sales could negatively impact our profitability and cash flows.

## Quarterly Fluctuations and Seasonality

We have experienced significant quarterly fluctuations in operating results and anticipate these fluctuations in the future. The operating results for any quarter are not necessarily indicative of results for any future period. Our first quarter is typically expected to be the least profitable as a result of lower net sales but substantially similar fixed operating expenses. This is consistent with the performance of many companies in the toy industry.

The following table presents our unaudited quarterly results for the years indicated. The seasonality of our business is reflected in this quarterly presentation.

| (Unaudited)                                                    | 2024          |                |               |                | 2023          |                |               |                |
|----------------------------------------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
|                                                                | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Net Sales                                                      | \$ 90,076     | \$ 148,619     | \$ 321,606    | \$ 130,741     | \$ 107,484    | \$ 166,933     | \$ 309,744    | \$ 127,396     |
| As a % of full year                                            | 13.0%         | 21.6%          | 46.5%         | 18.9%          | 15.1%         | 23.5%          | 43.5%         | 17.9%          |
| Gross profit                                                   | \$ 21,052     | \$ 47,585      | \$ 108,831    | \$ 35,553      | \$ 31,437     | \$ 51,198      | \$ 106,985    | \$ 33,733      |
| As a % of full year                                            | 9.9%          | 22.3%          | 51.1%         | 16.7%          | 14.1%         | 22.9%          | 47.9%         | 15.1%          |
| As a % of net sales                                            | 23.4%         | 32.0%          | 33.8%         | 27.2%          | 29.2%         | 30.7%          | 34.5%         | 26.5%          |
| Income (loss) from operations                                  | \$ (21,324)   | \$ 7,643       | \$ 68,083     | \$ (14,718)    | \$ (4,400)    | \$ 16,448      | \$ 62,399     | \$ (15,340)    |
| As a % of full year                                            | (53.7)%       | 19.2%          | 171.6%        | (37.1)%        | (7.4)%        | 27.8%          | 105.6%        | (26.0)%        |
| As a % of net sales                                            | (23.7)%       | 5.1%           | 21.2%         | (11.3)%        | (4.1)%        | 9.9%           | 20.1%         | (12.0)%        |
| Income (loss) before provision for (benefit from) income taxes | \$ (20,953)   | \$ 7,547       | \$ 67,697     | \$ (14,559)    | \$ (6,701)    | \$ 7,660       | \$ 60,502     | \$ (16,515)    |
| As a % of net sales                                            | (23.3)%       | 5.0%           | 21.0%         | (11.2)%        | (6.3)%        | 4.6%           | 19.5%         | (13.0)%        |
| Net income (loss)                                              | \$ (14,225)   | \$ 5,266       | \$ 52,272     | \$ (9,113)     | \$ (5,318)    | \$ 6,182       | \$ 48,121     | \$ (10,872)    |
| As a % of net sales                                            | (15.8)%       | 3.5%           | 16.3%         | (7.0)%         | (5.0)%        | 3.7%           | 15.5%         | (8.5)%         |
| Net income (loss) attributable to non-controlling interests    | \$ 280        | \$ —           | \$ —          | \$ —           | \$ (5)        | \$ (273)       | \$ (11)       | \$ (4)         |
| As a % of net sales                                            | 0.3%          | —%             | —%            | —%             | —%            | (0.2)%         | —%            | —%             |
| Net income (loss) attributable to JAKKS Pacific, Inc.          | \$ (14,505)   | \$ 5,266       | \$ 52,272     | \$ (9,113)     | \$ (5,313)    | \$ 6,455       | \$ 48,132     | \$ (10,868)    |
| As a % of net sales                                            | (16.1)%       | 3.5%           | 16.3%         | (7.0)%         | (5.0)%        | 3.9%           | 15.5%         | (8.5)%         |
| Net income (loss) attributable to common stockholders          | \$ (13,175)   | \$ 5,266       | \$ 52,272     | \$ (9,113)     | \$ (5,680)    | \$ 6,082       | \$ 47,754     | \$ (11,252)    |
| As a % of net sales                                            | (14.6)%       | 3.5%           | 16.3%         | (7.0)%         | (5.3)%        | 3.6%           | 15.4%         | (8.8)%         |
| Diluted earnings (loss) per share                              | \$ (1.27)     | \$ 0.47        | \$ 4.64       | \$ (0.83)      | \$ (0.58)     | \$ 0.58        | \$ 4.53       | \$ (1.12)      |
| Weighted average shares and equivalents outstanding            | 10,354        | 11,245         | 11,275        | 11,008         | 9,871         | 10,532         | 10,542        | 10,084         |

Quarterly and year-to-date computations of income (loss) per share amounts are made independently. Therefore, the sum of the per share amounts for the quarters may not agree with the per share amounts for the year.

## Liquidity and Capital Resources

As of December 31, 2024, we had working capital of \$119.3 million compared to \$106.1 million as of December 31, 2023.

Operating activities provided net cash of \$38.9 million in 2024 and \$66.4 million in 2023. The decrease in cash flows provided by operating activities, year-over-year, was primarily due to a lower net income and higher working capital usage, partially offset by higher non-cash charges related to valuation adjustments for our preferred stock derivative liability and an increase in deferred income tax assets due to inventory cost and other expense capitalization matters, both in 2023. Other than open purchase orders issued in the normal course of business related to shipped product, we have no obligations to purchase inventory from our manufacturers. However, we may incur costs or other losses as a result of not placing orders consistent with our forecasts for products manufactured by our suppliers or manufacturers for a variety of reasons including customer order cancellations or a decline in demand. As part of our strategy to develop and market new products, we have entered into various character and product licenses with royalties/obligations generally ranging from 1% to 25% payable on net sales of such products. As of December 31, 2024, these agreements required future aggregate minimum royalty guarantees of \$74.6 million, exclusive of \$0.9 million in advances already paid. Of this \$74.6 million future minimum royalty guarantee, \$53.7 million is due over the next twelve months.

Investing activities used net cash of \$12.9 million and \$8.9 million for the years ended December 31, 2024 and 2023, respectively, and consisted primarily of cash paid for the purchase of molds and tooling used in the manufacture of our products.

Financing activities used net cash of \$26.9 million in 2024 and \$72.3 million in 2023. The cash used in 2024 primarily consists of the cash portion for the redemption of the Series A Preferred stock of \$20 million and the repurchase of common stock for employee tax withholding of \$6.9 million. The cash used in 2023 primarily consists of the repayment of our 2021 BSP Term Loan of \$69.2 million and the repurchase of common stock for employee tax withholding of \$3.1 million.

The following is a summary of our significant contractual cash obligations for the periods indicated that existed as of December 31, 2024 and is based upon information appearing in the notes to the consolidated financial statements (in thousands):

|                                             | 2025             | 2026             | 2027             | 2028             | 2029            | Thereafter   | Total             |
|---------------------------------------------|------------------|------------------|------------------|------------------|-----------------|--------------|-------------------|
| Operating leases                            | \$ 11,702        | \$ 15,935        | \$ 15,832        | \$ 15,823        | \$ 6,715        | \$ 36        | \$ 66,043         |
| Minimum guaranteed license/royalty payments | 53,682           | 18,757           | 2,170            | —                | —               | —            | 74,609            |
| Employment contracts                        | 6,864            | 4,406            | —                | —                | —               | —            | 11,270            |
| Total contractual cash obligations          | <u>\$ 72,248</u> | <u>\$ 39,098</u> | <u>\$ 18,002</u> | <u>\$ 15,823</u> | <u>\$ 6,715</u> | <u>\$ 36</u> | <u>\$ 151,922</u> |

The above table excludes any potential uncertain income tax liabilities that may become payable upon examination of our income tax returns by taxing authorities. Such amounts and periods of payment cannot be reliably estimated (see Item 8 “Consolidated Financial Statements and Supplementary Data Note 12 - Income Taxes” for further explanation of our uncertain tax positions).

As of December 31, 2024, we had no outstanding indebtedness under our senior secured revolving credit facility (the “JPMorgan ABL Facility”), aside from utilizing \$4.4 million in letters of credit. In June 2023 we had fully paid off our first-lien secured term loan (the “2021 BSP Term Loan Agreement”).

The First Lien Term Loan Facility Credit Agreement (the “2021 BSP Term Loan Agreement”) and the Credit Agreement with JPMorgan Chase Bank, N.A., as agent and lender (the “JPMorgan ABL Credit Agreement”) each contained negative covenants that, subject to certain exceptions, limited our ability and our subsidiaries ability to, among other things, incur additional indebtedness, make restricted payments, pledge our assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. The terms of the 2021 BSP Term Loan Agreement also required us to maintain a Net Leverage Ratio of 4:00x, with step-downs occurring each fiscal year starting with the quarter ending March 31, 2022 through the quarter ending September 30, 2024 in which we were required to maintain a Net Leverage Ratio of 3:00x. On April 26, 2022, we entered into a First Amendment to the 2021 BSP Term Loan Agreement, to provide, among other things, that we must maintain Qualified Cash of at least: (a) at all times after the Closing Date and prior to the First Amendment Effective Date, \$20.0 million; (b) at all times during the period commencing on the First Amendment Effective Date through and including June 30, 2022, \$15.0 million; and (c) at all times on and after July 1, 2022, through September 30, 2022, \$17.5 million; provided, however, that if the Total Net Leverage Ratio exceeded 1.75:1.00 as of the last day of the most recently ended month for which financial statements were required to have been delivered, then the amount set forth in this clause shall be increased to \$20.0 million. Notwithstanding the foregoing, the Applicable Minimum Cash Amount shall be reduced by \$1.0 million for every \$5.0 million principal prepayment or repayment of the Term Loans following the First Amendment Effective Date; provided however, that, the Applicable Minimum Cash Amount shall in no event be reduced below \$15.0 million.

On January 3, 2023, as permitted by the terms within the 2021 BSP Term Loan Agreement, we made a voluntary \$15.0 million prepayment towards the outstanding principal amount of the 2021 BSP Term Loan and incurred a \$0.2 million prepayment penalty.

On March 3, 2023, as required by the terms within the 2021 BSP Term Loan Agreement under the Excess Cash Flow (“ECF”) Sweep provision, we made a mandatory \$23.1 million payment towards the outstanding principal amount of the 2021 BSP Term Loan.

On June 5, 2023, we paid in full the 2021 BSP Term Loan and terminated the 2021 BSP Term Loan Agreement by making a \$30.2 million prepayment towards the outstanding principal amount. Additionally, we made a \$0.4 million payment towards the outstanding accrued interest, and a \$0.3 million payment for the prepayment penalty and other related fees. In connection with this transaction, we recognized a loss on debt extinguishment of \$1.0 million on our consolidated statements of operations.

The JPMorgan ABL Agreement contains events of default that are customary for a facility of this nature, including (subject in certain cases to grace periods and thresholds) nonpayment of principal, nonpayment of interest, fees or other amounts, material inaccuracy of representations and warranties, violation of covenants, cross-default to certain other existing indebtedness, bankruptcy or insolvency events, certain judgment defaults and a change of control as specified in each Agreement. If an event of default occurs under the Agreement, the maturity of the amounts owed under the JPMorgan ABL Agreement may be accelerated.

We were in compliance with the financial covenants under the JPMorgan ABL Agreement as of December 31, 2024.

(See Item 8 “Consolidated Financial Statements and Supplementary Data, Note 9 – Debt and Note 10 – Credit Facilities” for additional information pertaining to our Debt and Credit Facilities.)

As of December 31, 2024 and 2023, we held cash and cash equivalents, including restricted cash, of \$70.1 million and \$72.6 million, respectively. Cash, and cash equivalents, including restricted cash held outside of the United States, in various foreign subsidiaries totaled \$16.5 million and \$21.5 million as of December 31, 2024 and 2023, respectively. The cash and cash equivalents, including restricted cash balances in our foreign subsidiaries have either been fully taxed in the U.S. or tax has been accounted for in connection with the Tax Cuts and Jobs Act, or may be eligible for a full foreign dividends received deduction under such Act, and thus would not be subject to additional U.S. tax should such amounts be repatriated in the form of dividends or deemed distributions. Any such repatriation may result in foreign withholding taxes, which we expect would not be significant as of December 31, 2024.

Our primary sources of working capital are cash flows from operations and borrowings under our JPMorgan ABL Facility (See Item 8 “Consolidated Financial Statements and Supplementary Data Note 10 – Credit Facilities”).

Typically, cash flows from operations are impacted by the effect on sales of (1) the appeal of our products, (2) the success of our licensed brands in motivating consumer purchase of related merchandise, (3) the highly competitive conditions existing in the toy industry and in securing commercially-attractive licenses, (4) dependency on a limited set of large customers, and (5) general economic conditions. A downturn in any single factor or a combination of factors could have a material adverse impact upon our ability to generate sufficient cash flows to operate the business. In addition, our business and liquidity are dependent to a significant degree on our vendors and their financial health, as well as the ability to accurately forecast the demand for products. The loss of a key vendor, or material changes in support by them, or a significant variance in actual demand compared to the forecast, can have a material adverse impact on our cash flows and business. Given the conditions in the toy industry environment in general, vendors, including licensors, may seek further assurances or take actions to protect against non-payment of amounts due to them. Changes in this area could have a material adverse impact on our liquidity.

As of December 31, 2024, off-balance sheet arrangements include letters of credit issued by JPMorgan of \$4.4 million.

On July 1, 2022, we entered into an ATM Agreement with B. Riley, as agent pursuant to which we may, from time to time, sell shares of our common stock, up to \$75 million in common stock, in one or more offerings in amounts, at prices and in the terms that we will determine at the time of the offering. On July 1, 2022, we filed a Form S-3 shelf registration statement (File No. 333-266009) with the SEC. On Aug 1, 2022, the SEC declared the Form S-3 shelf registration statement filed by us to be effective.

As of March 6, 2025, we have not sold any shares of common stock under the ATM Agreement.

We have on file with the SEC an effective registration statement pursuant to which we may issue, from time to time, up to \$150 million of securities (which will be reduced by any amount of securities sold pursuant to the ATM Agreement) consisting of, or any combination of, common stock, preferred stock, debt securities, warrants, rights and/or units, in one or more offerings in amounts, prices and at terms that we will determine at the time of the offering.

As of March 6, 2025, we have not sold any securities pursuant to our shelf registration statement.

The nature of our business is several factors influence the price we offer product to our customers, and by extension they sell to our end customer. Our products are manufactured by third-party vendors who deal with increases in labor rates as a normal course of their respective businesses. The costing of the plastic components of our toys can be sensitive to sudden swings in oil prices. Currency exchange can also create a degree of volatility, although the majority of our products are sourced in USD or Hong Kong dollars. Increased volumes ideally generate increased scale at various points in the value chain. Often times, in the toy industry when cost pressures result in price increases, the development teams will reengineer subsequent year refreshes to cost-reduce the items down to support traditional price points and preserve historical margins. With those considerations in mind as well as others, during the last three fiscal years ending December 31, we do not believe that inflation has had a material impact on our net sales and income from continuing operations.

## **Exchange Rates**

Sales from our United States and Hong Kong operations are denominated in U.S. dollars and our manufacturing costs are denominated in either U.S. or Hong Kong dollars. Local sales (other than in Hong Kong) and operating expenses of our operations in Hong Kong, the United Kingdom, Germany, the Netherlands, France, Italy, Canada, Mexico and China are denominated in local currency, thereby creating exposure to changes in exchange rates. Changes in the various exchange rates against the U.S. dollar may positively or negatively affect our operating results. We cannot assure you that the exchange rate between the United States and other currencies will not have a material adverse effect on our business, financial condition or results of operations.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk in the areas of changes in United States and international borrowing rates and changes in foreign currency exchange rates. In addition, we are exposed to market risk in certain geographic areas that have experienced or remain vulnerable to an economic downturn, such as China. We purchase substantially all of our inventory from companies in China, and, therefore, we are subject to the risk that such suppliers will be unable to provide inventory at competitive prices. While we believe that, should such events occur we would be able to find alternative sources of inventory at competitive prices, we cannot assure you that we would be able to do so. These exposures are directly related to our normal operating and funding activities. To date, we have not used derivative instruments or engaged in hedging activities to minimize our market risk.

**Interest Rate Risk**

Our exposure to market risk includes interest rate fluctuations in connection with our JPMorgan ABL Facility (see Item 8 “Consolidated Financial Statements and Supplementary Data, Note 10 – Credit Facilities”).

In Q1 2023, we entered into an amendment to our JPMorgan ABL Credit Agreement which changed the interest reference rate on our revolving line of credit from LIBOR to the Secured Overnight Financing Rate (“SOFR”).

Effective March 16, 2023, borrowings under our JPMorgan ABL Facility bear interest at either (i) SOFR plus 1.50% - 2.00% (determined by reference to an excess availability pricing grid) or (ii) Alternate Base Rate plus 0.50% - 1.00% (determined by reference to an excess availability pricing grid and base rate subject to a 1.00% floor). Borrowings under the JPMorgan ABL Facility are therefore subject to risk based upon prevailing market interest rates. Interest rate risk may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control. During the twelve-month period ended December 31, 2024, the maximum amount borrowed under the revolving credit facility was \$36 million and the average amount of borrowings outstanding was \$5.6 million. As of December 31, 2024, the amount of total borrowings outstanding under the revolving credit facility was nil.

**Foreign Currency Risk**

We have wholly-owned subsidiaries in Hong Kong, China, the United Kingdom, Germany, France, the Netherlands, Italy, Canada and Mexico. Sales are generally made by these operations on FOB China or Hong Kong terms and are denominated in U.S. dollars. However, purchases of inventory and Hong Kong operating expenses are typically denominated in Hong Kong dollars and local operating expenses in the United Kingdom, Germany, France, the Netherlands, Italy, Canada, Mexico and China are denominated in local currency, thereby creating exposure to changes in exchange rates. Changes in the U.S. dollar exchange rates may positively or negatively affect our results of operations. We do not believe that near-term changes in these exchange rates, if any, will result in a material effect on our future earnings, fair values or cash flows. Therefore, we have chosen not to enter into foreign currency hedging transactions. We cannot assure you that this approach will be successful, especially in the event of a significant and sudden change in the value of these foreign currencies.

## **Item 8. Consolidated Financial Statements and Supplementary Data**

### **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
JAKKS Pacific, Inc.  
Santa Monica, California

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of JAKKS Pacific, Inc. (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 6, 2025, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Cost of Sales for Royalties and Related Liabilities*

As described in Notes 2, 8 and 16 of the consolidated financial statements, the Company enters into various license agreements whereby the Company uses certain characters and intellectual properties in conjunction with its products. For the year ended December 31, 2024, the cost of sales related to license agreement royalties was \$106.8 million. As of December 31, 2024, accrued royalties were \$25.9 million.

We identified the cost of sales for royalties and related liabilities as a critical audit matter. The royalty expense calculation includes multiple variables based on various license agreements, including amended and renewed license agreements, and a significant volume of underlying data. The cost of sales for royalties and related liabilities requires judgment to evaluate management's forecasts, including assessing the Company's ability to fully utilize minimum guaranteed royalties. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of effort required to address this matter.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of management's forecasts, which included: (i) obtaining an understanding of management's process for developing forecasts, (ii) comparing prior period forecasts to actual results, (iii) assessing the Company's ability to meet its future guarantees at the license agreement level and (iv) evaluating the impact of alternative assumptions on the measurement and comparing to management's estimate.
- Assessing management's projections in the context of other audit evidence obtained during the audit and historical performance to determine whether it was contradictory to the conclusion reached by management.
- Testing the cost of sales for royalties and related liabilities by (i) evaluating the reasonableness of royalties based on existing, amended, and renewed license agreements during the year, (ii) testing the activity of selected royalty contracts.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2006.

Los Angeles, California

March 6, 2025



**JAKKS PACIFIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|                                                                                                                                                                                     | <b>December 31,</b>                          |             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------|
|                                                                                                                                                                                     | <b>2024</b>                                  | <b>2023</b> |
|                                                                                                                                                                                     | <b>(In thousands, except per share data)</b> |             |
| <b>Assets</b>                                                                                                                                                                       |                                              |             |
| <b>Current assets</b>                                                                                                                                                               |                                              |             |
| Cash and cash equivalents                                                                                                                                                           | \$ 69,936                                    | \$ 72,350   |
| Restricted cash                                                                                                                                                                     | 201                                          | 204         |
| Accounts receivable, net of allowance for credit losses of \$4,919 and \$3,743 in 2024 and 2023, respectively                                                                       | 131,629                                      | 123,797     |
| Inventory                                                                                                                                                                           | 52,780                                       | 52,647      |
| Prepaid expenses and other assets                                                                                                                                                   | 14,141                                       | 6,374       |
| Total current assets                                                                                                                                                                | 268,687                                      | 255,372     |
| <b>Property and equipment</b>                                                                                                                                                       |                                              |             |
| Office furniture and equipment                                                                                                                                                      | 10,049                                       | 8,852       |
| Molds and tooling                                                                                                                                                                   | 125,618                                      | 120,396     |
| Leasehold improvements                                                                                                                                                              | 6,956                                        | 6,708       |
| Total                                                                                                                                                                               | 142,623                                      | 135,956     |
| Less accumulated depreciation and amortization                                                                                                                                      | 126,981                                      | 121,357     |
| Property and equipment, net                                                                                                                                                         | 15,642                                       | 14,599      |
| Operating lease right-of-use assets, net                                                                                                                                            | 53,254                                       | 23,592      |
| Other long-term assets                                                                                                                                                              | 1,781                                        | 2,162       |
| Deferred income tax assets, net                                                                                                                                                     | 70,394                                       | 68,143      |
| Goodwill                                                                                                                                                                            | 35,111                                       | 35,083      |
| Total assets                                                                                                                                                                        | \$ 444,869                                   | \$ 398,951  |
| <b>Liabilities, Preferred Stock and Stockholders' Equity</b>                                                                                                                        |                                              |             |
| <b>Current liabilities</b>                                                                                                                                                          |                                              |             |
| Accounts payable                                                                                                                                                                    | \$ 42,560                                    | \$ 42,177   |
| Accounts payable - Meisheng (related party)                                                                                                                                         | 13,461                                       | 12,259      |
| Accrued expenses                                                                                                                                                                    | 48,456                                       | 45,102      |
| Reserve for sales returns and allowances                                                                                                                                            | 35,817                                       | 38,531      |
| Income taxes payable                                                                                                                                                                | 1,035                                        | 3,785       |
| Short-term operating lease liabilities                                                                                                                                              | 8,091                                        | 7,380       |
| Total current liabilities                                                                                                                                                           | 149,420                                      | 149,234     |
| Long-term operating lease liabilities                                                                                                                                               | 48,433                                       | 16,666      |
| Accrued expenses – long term                                                                                                                                                        | 2,563                                        | 3,746       |
| Preferred stock derivative liability                                                                                                                                                | —                                            | 29,947      |
| Income taxes payable                                                                                                                                                                | 3,620                                        | 3,245       |
| Total liabilities                                                                                                                                                                   | 204,036                                      | 202,838     |
| <b>Commitments and contingencies (Note 16)</b>                                                                                                                                      |                                              |             |
| <b>Preferred stock accrued dividends, \$0.001 par value; 5,000,000 shares authorized; nil and 200,000 shares issued and outstanding at December 31, 2024 and 2023, respectively</b> | —                                            | 5,992       |
| <b>Stockholders' Equity</b>                                                                                                                                                         |                                              |             |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 11,025,582 and 10,096,197 shares issued and outstanding in 2024 and 2023, respectively                              | 11                                           | 10          |
| Additional paid-in capital                                                                                                                                                          | 297,198                                      | 278,642     |
| Accumulated deficit                                                                                                                                                                 | (39,692)                                     | (73,612)    |
| Accumulated other comprehensive loss                                                                                                                                                | (17,184)                                     | (15,627)    |
| Total JAKKS Pacific, Inc. stockholders' equity                                                                                                                                      | 240,333                                      | 189,413     |
| Non-controlling interests                                                                                                                                                           | 500                                          | 708         |
| Total stockholders' equity                                                                                                                                                          | 240,833                                      | 190,121     |
| Total liabilities, preferred stock and stockholders' equity                                                                                                                         | \$ 444,869                                   | \$ 398,951  |

*See accompanying notes to consolidated financial statements.*

**JAKKS PACIFIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                                              | <b>Year Ended December 31,</b>                  |             |             |
|--------------------------------------------------------------|-------------------------------------------------|-------------|-------------|
|                                                              | <b>2024</b>                                     | <b>2023</b> | <b>2022</b> |
|                                                              | <b>(In thousands, except per share amounts)</b> |             |             |
| Net sales                                                    | \$ 691,042                                      | \$ 711,557  | \$ 796,187  |
| Cost of sales:                                               |                                                 |             |             |
| Cost of goods                                                | 361,563                                         | 362,378     | 449,597     |
| Royalty expense                                              | 106,804                                         | 117,607     | 126,633     |
| Amortization of tools and molds                              | 9,654                                           | 8,219       | 8,671       |
| Cost of sales                                                | 478,021                                         | 488,204     | 584,901     |
| Gross profit                                                 | 213,021                                         | 223,353     | 211,286     |
| Direct selling expenses                                      | 40,105                                          | 36,987      | 33,290      |
| General and administrative expenses                          | 132,840                                         | 126,893     | 114,819     |
| Depreciation and amortization                                | 392                                             | 366         | 1,907       |
| Selling, general and administrative expense                  | 173,337                                         | 164,246     | 150,016     |
| Intangible asset impairment                                  | —                                               | —           | 300         |
| Income from operations                                       | 39,684                                          | 59,107      | 60,970      |
| Loss from joint ventures                                     | —                                               | (565)       | —           |
| Other income (expense), net                                  | 302                                             | 563         | 797         |
| Change in fair value of preferred stock derivative liability | —                                               | (8,029)     | (636)       |
| Loss on debt extinguishment                                  | —                                               | (1,023)     | —           |
| Interest income                                              | 841                                             | 1,344       | 127         |
| Interest expense                                             | (1,095)                                         | (6,451)     | (11,183)    |
| Income before provision for (benefit from) income taxes      | 39,732                                          | 44,946      | 50,075      |
| Provision for (benefit from) income taxes                    | 5,532                                           | 6,833       | (41,008)    |
| Net income                                                   | 34,200                                          | 38,113      | 91,083      |
| Net income (loss) attributable to non-controlling interests  | 280                                             | (293)       | (330)       |
| Net income attributable to JAKKS Pacific, Inc.               | \$ 33,920                                       | \$ 38,406   | \$ 91,413   |
| Net income attributable to common stockholders               | \$ 35,250                                       | \$ 36,904   | \$ 89,997   |
| Earnings per share - basic                                   | \$ 3.27                                         | \$ 3.70     | \$ 9.33     |
| Shares used in earnings per share - basic                    | 10,781                                          | 9,962       | 9,651       |
| Earnings per share - diluted                                 | \$ 3.14                                         | \$ 3.48     | \$ 8.86     |
| Shares used in earnings per share - diluted                  | 11,226                                          | 10,590      | 10,155      |

*See accompanying notes to consolidated financial statements.*

**JAKKS PACIFIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                                                             | Year Ended December 31, |                  |                  |
|-----------------------------------------------------------------------------|-------------------------|------------------|------------------|
|                                                                             | 2024                    | 2023             | 2022             |
|                                                                             | (In thousands)          |                  |                  |
| Net income                                                                  | \$ 34,200               | \$ 38,113        | \$ 91,083        |
| Other comprehensive income (loss):                                          |                         |                  |                  |
| Foreign currency translation adjustment                                     | (1,557)                 | 1,855            | (4,530)          |
| Comprehensive income                                                        | 32,643                  | 39,968           | 86,553           |
| Less: Comprehensive income (loss) attributable to non-controlling interests | 280                     | (293)            | (330)            |
| Comprehensive income attributable to JAKKS Pacific, Inc.                    | <u>\$ 32,363</u>        | <u>\$ 40,261</u> | <u>\$ 86,883</u> |

*See accompanying notes to consolidated financial statements.*

**JAKKS PACIFIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

|                                                               | Common Stock           |        |                                  |                        | Accumulated                    |                                          | JAKKS                            |                         |  | Total |
|---------------------------------------------------------------|------------------------|--------|----------------------------------|------------------------|--------------------------------|------------------------------------------|----------------------------------|-------------------------|--|-------|
|                                                               | Number<br>of<br>Shares | Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Other<br>Comprehensive<br>Loss | Pacific, Inc.<br>Stockholders’<br>Equity | Non-<br>Controlling<br>Interests | Stockholders’<br>Equity |  |       |
|                                                               | (In thousands)         |        |                                  |                        |                                |                                          |                                  |                         |  |       |
| Balance, December 31,<br>2021                                 | 9,521                  | \$ 10  | \$ 272,941                       | \$ (203,431)           | \$ (12,952)                    | \$ 56,568                                | \$ 1,331                         | \$ 57,899               |  |       |
| Stock-based<br>compensation expense                           | 334                    | —      | 5,082                            | —                      | —                              | 5,082                                    | —                                | 5,082                   |  |       |
| Repurchase of common<br>stock for employee tax<br>withholding | (113)                  | —      | (1,420)                          | —                      | —                              | (1,420)                                  | —                                | (1,420)                 |  |       |
| Preferred stock accrued<br>dividends                          | —                      | —      | (1,416)                          | —                      | —                              | (1,416)                                  | —                                | (1,416)                 |  |       |
| Net income (loss)                                             | —                      | —      | —                                | 91,413                 | —                              | 91,413                                   | (330)                            | 91,083                  |  |       |
| Foreign currency<br>translation adjustment                    | —                      | —      | —                                | —                      | (4,530)                        | (4,530)                                  | —                                | (4,530)                 |  |       |
| Balance, December 31,<br>2022                                 | 9,742                  | 10     | 275,187                          | (112,018)              | (17,482)                       | 145,697                                  | 1,001                            | 146,698                 |  |       |
| Stock-based<br>compensation expense                           | 511                    | —      | 8,027                            | —                      | —                              | 8,027                                    | —                                | 8,027                   |  |       |
| Repurchase of common<br>stock for employee tax<br>withholding | (157)                  | —      | (3,070)                          | —                      | —                              | (3,070)                                  | —                                | (3,070)                 |  |       |
| Preferred stock accrued<br>dividends                          | —                      | —      | (1,502)                          | —                      | —                              | (1,502)                                  | —                                | (1,502)                 |  |       |
| Net income (loss)                                             | —                      | —      | —                                | 38,406                 | —                              | 38,406                                   | (293)                            | 38,113                  |  |       |
| Foreign currency<br>translation adjustment                    | —                      | —      | —                                | —                      | 1,855                          | 1,855                                    | —                                | 1,855                   |  |       |
| Balance, December 31,<br>2023                                 | 10,096                 | 10     | 278,642                          | (73,612)               | (15,627)                       | 189,413                                  | 708                              | 190,121                 |  |       |
| Stock-based<br>compensation expense                           | 589                    | 1      | 9,535                            | —                      | —                              | 9,536                                    | —                                | 9,536                   |  |       |
| Non-controlling interests’<br>capital reduction               | —                      | —      | —                                | —                      | —                              | —                                        | (488)                            | (488)                   |  |       |
| Repurchase of common<br>stock for employee tax<br>withholding | (230)                  | —      | (6,918)                          | —                      | —                              | (6,918)                                  | —                                | (6,918)                 |  |       |
| Preferred stock accrued<br>dividends                          | —                      | —      | (390)                            | —                      | —                              | (390)                                    | —                                | (390)                   |  |       |
| Preferred stock<br>redemption                                 | 571                    | —      | 16,329                           | —                      | —                              | 16,329                                   | —                                | 16,329                  |  |       |
| Net income                                                    | —                      | —      | —                                | 33,920                 | —                              | 33,920                                   | 280                              | 34,200                  |  |       |
| Foreign currency<br>translation adjustment                    | —                      | —      | —                                | —                      | (1,557)                        | (1,557)                                  | —                                | (1,557)                 |  |       |
| Balance, December 31,<br>2024                                 | 11,026                 | \$ 11  | \$ 297,198                       | \$ (39,692)            | \$ (17,184)                    | \$ 240,333                               | \$ 500                           | \$ 240,833              |  |       |

*See accompanying notes to consolidated financial statements.*

**JAKKS PACIFIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                                   | <b>Year Ended December 31,</b> |             |             |
|-----------------------------------------------------------------------------------|--------------------------------|-------------|-------------|
|                                                                                   | <b>2024</b>                    | <b>2023</b> | <b>2022</b> |
| <b>Cash flows from operating activities</b>                                       |                                |             |             |
| Net income                                                                        | \$ 34,200                      | \$ 38,113   | \$ 91,083   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |             |             |
| Provision for doubtful accounts                                                   | 1,397                          | 726         | 233         |
| Depreciation and amortization                                                     | 10,046                         | 8,585       | 10,578      |
| Write-off and amortization of debt discount                                       | —                              | 714         | 845         |
| Write-off and amortization of debt issuance costs                                 | 317                            | 647         | 708         |
| Share-based compensation expense                                                  | 9,535                          | 8,027       | 5,082       |
| Loss (gain) on disposal of property and equipment                                 | 115                            | (40)        | (46)        |
| Intangibles impairment                                                            | —                              | —           | 300         |
| Loss on debt extinguishment                                                       | —                              | 1,023       | —           |
| Deferred income taxes                                                             | (2,251)                        | (10,339)    | (57,855)    |
| Change in fair value of preferred stock derivative liability                      | —                              | 8,029       | 636         |
| Changes in operating assets and liabilities:                                      |                                |             |             |
| Accounts receivable                                                               | (9,229)                        | (21,752)    | 44,390      |
| Inventory                                                                         | (133)                          | 27,972      | 3,335       |
| Prepaid expenses and other assets                                                 | (6,086)                        | (12)        | 4,753       |
| Account payable                                                                   | 508                            | 9,595       | (18,056)    |
| Account payable - Meisheng (related party)                                        | 1,117                          | 1,918       | (5,411)     |
| Accrued expenses                                                                  | 2,867                          | 7,104       | (9,073)     |
| Reserve for sales returns and allowances                                          | (2,714)                        | (13,346)    | 5,592       |
| Income taxes payable                                                              | (2,375)                        | (4,064)     | 9,875       |
| Other liabilities                                                                 | 1,633                          | 3,504       | (870)       |
| Total adjustments                                                                 | 4,747                          | 28,291      | (4,984)     |
| Net cash provided by operating activities                                         | 38,947                         | 66,404      | 86,099      |
| <b>Cash flows from investing activities</b>                                       |                                |             |             |
| Purchases of property and equipment                                               | (11,246)                       | (8,906)     | (10,389)    |
| Investments in employee deferred compensation trusts                              | (1,645)                        | (41)        | —           |
| Proceeds from sale of property and equipment                                      | 2                              | 40          | 2           |
| Net cash used in investing activities                                             | (12,889)                       | (8,907)     | (10,387)    |
| <b>Cash flows from financing activities</b>                                       |                                |             |             |
| Repurchase of common stock for employee tax withholding                           | (6,918)                        | (3,070)     | (1,420)     |
| Repayment of credit facility borrowings                                           | (63,000)                       | (10,000)    | (13,000)    |
| Proceeds from credit facility borrowings                                          | 63,000                         | 10,000      | 13,000      |
| Redemption of preferred stock                                                     | (20,000)                       | —           | —           |
| Repayment of 2021 BSP Term Loan                                                   | —                              | (69,218)    | (29,604)    |
| Net cash used in financing activities                                             | (26,918)                       | (72,288)    | (31,024)    |
| Net increase (decrease) in cash, cash equivalents and restricted cash             | (860)                          | (14,791)    | 44,688      |
| Effect of foreign currency translation                                            | (1,557)                        | 1,855       | (4,530)     |
| Cash, cash equivalents and restricted cash, beginning of year                     | 72,554                         | 85,490      | 45,332      |
| Cash, cash equivalents and restricted cash, end of year                           | \$ 70,137                      | \$ 72,554   | \$ 85,490   |
| <b>Supplemental disclosures of non-cash activities:</b>                           |                                |             |             |
| Right-of-use assets exchanged for lease liabilities                               | \$ 79,134                      | \$ 1,648    | \$ 5,789    |
| <b>Supplemental disclosures of cash flow information:</b>                         |                                |             |             |
| Cash paid for interest                                                            | \$ 473                         | \$ 4,718    | \$ 9,040    |
| Cash paid for income taxes, net                                                   | \$ 16,363                      | \$ 21,635   | \$ 7,669    |

As of December 31, 2024, there was \$3.0 million of property and equipment included in accounts payable. As of December 31, 2023, there was \$3.0 million of property and equipment included in accounts payable. As of December 31, 2022, there was \$3.6 million of property and equipment included in accounts payable.

On March 11, 2024, the Company issued \$15.0 million in common stock as part of the consideration to redeem the preferred stock derivative liability (see Note 14 – Common Stock and Preferred Stock).

The Company received income tax refunds of 0.9, nil and \$0.3 million for the years ended December 31, 2024, 2023 and 2022, respectively, and has included these amounts in cash paid during the period for income taxes, net.

*See accompanying notes to consolidated financial statements.*

**JAKKS PACIFIC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**Note 1—Principal Industry**

JAKKS Pacific, Inc. (the “Company”) is engaged in the development, production and marketing of consumer products, including toys and related products, electronic products, and other consumer products. The Company markets its product lines domestically and internationally.

The Company is incorporated under the laws of the State of Delaware.

**Note 2—Summary of Significant Accounting Policies**

***Principles of consolidation and basis of preparation***

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated.

***Cash and cash equivalents***

The Company considers all highly liquid investments with an original maturity of three months or less, when acquired, to be cash equivalents. The Company maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk of cash and cash equivalents.

Cash and cash equivalents, including restricted cash, held outside of the United States in various foreign subsidiaries totaled \$16.5 million and \$21.5 million as of December 31, 2024 and 2023, respectively. The cash and cash equivalents, including restricted cash balances in the Company’s foreign subsidiaries have either been fully taxed in the U.S. or tax has been accounted for in connection with the Tax Cuts and Jobs Act, or may be eligible for a full foreign dividends received deduction under such Act, and thus would not be subject to additional U.S. tax should such amounts be repatriated in the form of dividends or deemed distributions. Any such repatriation may result in foreign withholding taxes, which we expect would not be significant as of December 31, 2024.

***Restricted cash***

Restricted cash consists of a cash collateral account to cover a guarantee bond.

***Accounts Receivable and Allowance for Current Expected Credit Losses***

Credit is granted to customers on an unsecured basis. Credit limits and payment terms are established based on evaluations made on an ongoing basis throughout the fiscal year of the financial performance, cash generation, financing availability and liquidity status of each customer. Customers are reviewed at least annually, with more frequent reviews performed as necessary, depending upon the customer’s financial condition and the level of credit being extended. For customers who are experiencing financial difficulties, management performs additional financial analyses before shipping to those customers on credit. The Company uses a variety of financial arrangements to ensure collectability of accounts receivable of customers deemed to be a credit risk, including requiring letters of credit, purchasing various forms of credit insurance with unrelated third parties, or requiring cash in advance of shipment.

The Company records an allowance for current expected credit losses based upon management's assessment of the business environment, customers' risk profile characteristics, historical collection and loss information, aging of accounts receivables, and other matters specific to customer accounts to establish pools based on customer risk profile characteristics and the historical loss rates applied to each pool under the expected credit loss model. The allowance consists of the following (in thousands):

|                              | 2024            | 2023            |
|------------------------------|-----------------|-----------------|
| Allowance, beginning balance | \$ 3,743        | \$ 2,865        |
| Net additions                | 1,397           | 726             |
| Write-offs and other         | (221)           | 152             |
| Allowance, ending balance    | <u>\$ 4,919</u> | <u>\$ 3,743</u> |

Bad debt expense was \$1.4 million, \$0.7 million and \$0.2 million for the years ended December 31, 2024, 2023 and 2022, respectively

### *Use of estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual future results could differ from those estimates. On an ongoing basis, the Company evaluates its estimates, including those related to the accounts receivable and sales allowances, fair values of financial instruments, intangible assets and goodwill, useful lives of intangible assets and property and equipment, income taxes, and contingent liabilities, among others. The Company bases its estimates on assumptions, both historical and forward looking, that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

### *Revenue recognition*

The Company's contracts with customers only include one performance obligation (i.e., sale of the Company's products). Revenue is recognized in the gross amount at a point in time when delivery is completed and control of the promised goods is transferred to the customers. Revenue is measured as the amount of consideration the Company expects to be entitled to in exchange for those goods. The Company's contracts do not involve financing elements as payment terms with customers are less than one year. Further, because revenue is recognized at the point in time goods are sold to customers, there are no contract assets or contract liability balances.

The Company disaggregates its revenues from contracts with customers by reporting segment: Toys/Consumer Products and Costumes. The Company further disaggregates revenues by major geographic regions (See Note 3 - Business Segments, Geographic Data and Sales by Major Customers for further information).

The Company offers various discounts, pricing concessions, and other allowances to customers, all of which are considered in determining the transaction price. Certain discounts and allowances are fixed and determinable at the time of sale and are recorded at the time of sale as a reduction to revenue. Other discounts and allowances can vary and are determined at management's discretion (variable consideration). Specifically, the Company occasionally grants discretionary credits to facilitate markdowns and sales of slow-moving merchandise, and consequently accrues an allowance based on historic credits and management estimates. The Company also participates in cooperative advertising arrangements with some customers, whereby it allows a discount from invoiced product amounts in exchange for customer purchased advertising that features the Company's products. Generally, these allowances range from 1% to 30% of gross sales, and are generally based upon product purchases or specific advertising campaigns. Such allowances are accrued when the related revenue is recognized. To the extent these cooperative advertising arrangements provide a distinct benefit at fair value, they are accounted for as direct selling expenses, otherwise they are recorded as a reduction to revenue. Further, while the Company generally does not allow product returns, the Company does make occasional exceptions to this policy and consequently records a sales return allowance based upon historic return amounts and management estimates. These allowances (variable consideration) are estimated using the expected value method and are recorded at the time of sale as a reduction to revenue. The Company adjusts its estimate of variable consideration at least quarterly or when facts and circumstances used in the estimation process may change. The variable consideration is not constrained as the Company has sufficient history on the related estimates and does not believe there is a risk of significant revenue reversal.

Sales commissions are expensed when incurred as the related revenue is recognized at a point in time and therefore the amortization period is less than one year. As a result, these costs are recorded as direct selling expenses, as incurred. For the twelve months ended December 31, 2024, 2023 and 2022 sales commissions were \$1.8 million, \$2.9 million and \$2.9 million, respectively.

Shipping and handling activities are considered part of the Company's obligation to transfer the products and therefore are recorded as direct selling expenses, as incurred. For the twelve months ended December 31, 2024, 2023 and 2022, shipping and handling costs were \$7.4 million, \$8.6 million and \$7.7 million, respectively.

The Company's reserve for sales returns and allowances amounted to \$35.8 million and \$38.5 million as of December 31, 2024 and 2023.

The Company's net accounts receivable as of December 31, 2024, and 2023 were \$131.6 million and \$123.8 million, respectively.

### ***Fair Value Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based upon these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observable inputs used in the valuation techniques, the Company is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values into three broad levels as follows:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based upon the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

### ***Inventory***

Inventory, which includes the ex-factory cost of goods, capitalized warehouse costs and in-bound freight and duty, is valued at the lower of cost (weighted average) or net realizable value, net of inventory obsolescence reserve, and consists of the following (in thousands):

|                | December 31,     |                  |
|----------------|------------------|------------------|
|                | 2024             | 2023             |
| Raw materials  | \$ —             | \$ 122           |
| Finished goods | 52,780           | 52,525           |
|                | <u>\$ 52,780</u> | <u>\$ 52,647</u> |

As of December 31, 2024, and 2023, the inventory obsolescence reserve was \$10.9 million and \$7.7 million, respectively.

### ***Royalties***

The Company enters into license agreements with strategic partners, inventors, designers and others for the use of intellectual properties in its products. These agreements may call for payment in advance or future payment of minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to expense when the related revenue is recognized in the consolidated statements of operations. If all or a portion of the minimum guaranteed amounts appear not to be recoverable through future use of the rights obtained under the license, the non-recoverable portion of the guaranty is charged to expense at that time.



**Leases**

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in its consolidated balance sheets. The Company does not have any finance leases.

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

The Company excludes right-of-use (“ROU”) assets and lease liabilities for leases with an initial term of 12 months or less from the balance sheet.

**Deferred Financing Charges**

Deferred financing charges consist of credit facility loan origination fees. These charges are capitalized and amortized over the life of the line of credit agreement.

**Property and equipment**

Property and equipment are stated at cost and are being depreciated using the straight-line method over their estimated useful lives as follows:

|                        |                                        |
|------------------------|----------------------------------------|
| Office equipment       | 5 years                                |
| Automobiles            | 5 years                                |
| Furniture and fixtures | 5 - 7 years                            |
| Leasehold improvements | Shorter of length of lease or 10 years |
| Internal-use software  | 10 years                               |

During interim reporting periods, the Company uses the usage method as its depreciation methodology for molds and tools used in the manufacturing of its products, which is more closely correlated to the production of goods as it follows the seasonality of sales. The Company believes that the usage method more accurately matches costs with revenues. From a full-year perspective, the depreciation methodology follows the straight-line method, based on the estimated useful life of molds and tools of three years. Estimated useful lives are periodically reviewed and, where appropriate, changes are made prospectively. The carrying value of property and equipment is reviewed when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. No impairment charges were recorded for the years ended December 31, 2024, 2023 and 2022.

For the years ended December 31, 2024, 2023 and 2022, the Company’s aggregate depreciation expense related to property and equipment was \$10.0 million, \$8.6 million and \$9.6 million, respectively.

**Internal-use software**

The Company reviews internal-use software development costs associated with infrastructure to determine if the costs qualify for capitalizing. The development costs incurred during the application development stage that are related to infrastructure are capitalized. Internal-use software is included in Property and Equipment in the accompanying consolidated balance sheets. Capitalization of such costs begins when the preliminary project stage is completed and ceases at the point at which the project is substantially complete and is ready for its intended purpose.

For the years ended December 31, 2024 and 2023, the total amount capitalized was \$1.2 million and nil, respectively. For the years ended December 31, 2024, 2023 and 2022, the expense related to the amortization of internal-use software, which is included in the Company’s aggregate depreciation expense related to property and equipment, was \$17 thousand, nil and nil, respectively.

***Other Comprehensive Income (Loss)***

Other comprehensive income (loss) includes all changes in equity from non-owner sources. The Company accounts for other comprehensive income in accordance with Accounting Standards Codification (“ASC”) ASC 220, “Comprehensive Income.” All the activity in other comprehensive income (loss) and all amounts in accumulated other comprehensive income (loss) relate to foreign currency translation adjustments.

***Advertising***

Production costs of commercials and programming are charged to operations in the period during which the production is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the period incurred. Advertising expense for the years ended December 31, 2024, 2023 and 2022, was approximately \$13.8 million, \$13.2 million and \$14.3 million, respectively.

***Income taxes***

The Company does not file a consolidated return with its foreign subsidiaries. The Company files federal and state returns and its foreign subsidiaries file returns in their respective jurisdictions. Deferred taxes are provided on an asset and liability method. Deferred tax assets are recognized as deductible temporary differences, operating losses, or tax credit carry-forwards. Deferred tax liabilities are recognized as taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) management determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, management recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense. Any accrued interest and penalties are included within the related tax liability.

***Foreign Currency Translation Exposure***

The Company’s reporting currency is the U.S. dollar. The translation of its net investment in subsidiaries with non-U.S. dollar functional currencies subjects the Company to currency exchange rate fluctuations in its results of operations and financial position. Assets and liabilities of subsidiaries with non-U.S. dollar functional currencies are translated into U.S. dollars at year-end exchange rates. Income, expense and cash flow items are translated at average exchange rates prevailing during the year. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders’ equity. The Company’s primary currency translation exposures in 2024, 2023 and 2022 were related to its net investment in entities having functional currencies denominated in the Hong Kong Dollar, British Pound, Canadian Dollar, Chinese Yuan, Mexican Peso and the Euro.

***Foreign Currency Transaction Exposure***

Currency exchange rate fluctuations may impact the Company’s results of operations and cash flows. The Company’s currency transaction exposures include gains and losses realized on unhedged inventory purchases and unhedged receivables and payables balances that are denominated in a currency other than the applicable functional currency. Gains and losses on unhedged inventory purchases and other transactions associated with operating activities are recorded in the components of operating income in the consolidated statement of operations.

***Accounting for the impairment of finite-lived tangible and intangible assets***

Long-lived assets with finite lives, which include property and equipment and intangible assets other than goodwill, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. Finite-lived intangible assets often consist of product technology rights, acquired backlog, customer relationships, product lines and license agreements. These intangible assets are amortized over the estimated economic lives of the related assets.

***Goodwill and other indefinite-lived intangible assets***

Goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment at least annually at the reporting unit level and asset level. The annual goodwill test is performed in the second quarter and whenever events or changes in circumstances indicate that the carrying amount of a reporting unit may exceed its fair value, the Company may assess goodwill for impairment using a qualitative assessment. Qualitative factors and their impact on critical inputs are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the Company determines that a reporting unit has an indication of impairment based on the qualitative assessment, it is required to perform a quantitative assessment. The Company may bypass the qualitative assessment and perform a quantitative assessment. Impairment is recognized in the amount by which, if any, the carrying value of the reporting unit exceeds the fair value, not to exceed the carrying value of goodwill. Indefinite-lived intangible assets other than goodwill consist of trademarks.

The carrying value of goodwill and trademarks is based upon cost, which is subject to management's current assessment of fair value. Management evaluates fair value recoverability using both objective and subjective factors. Objective factors include cash flows and analysis of recent sales and earnings trends. Subjective factors include management's best estimates of projected future earnings and competitive analysis and the Company's strategic focus.

***Share-based Compensation***

The Company measures all employee share-based compensation awards using a fair value method and records such expense in its consolidated statements of operations. Forfeitures are being recognized as they occur.

## Earnings per share

A reconciliation of the amounts used to calculate basic and diluted income (loss) per share for the years ended December 31, 2024, 2023, and 2022 follows (in thousands, except per share data):

|                                                               | Year Ended December 31, |           |           |
|---------------------------------------------------------------|-------------------------|-----------|-----------|
|                                                               | 2024                    | 2023      | 2022      |
| Net income                                                    | \$ 34,200               | \$ 38,113 | \$ 91,083 |
| Net income (loss) attributable to non-controlling interests   | 280                     | (293)     | (330)     |
| Net income attributable to JAKKS Pacific, Inc.                | 33,920                  | 38,406    | 91,413    |
| Preferred stock dividend*                                     | —                       | (1,502)   | (1,416)   |
| Redemption of preferred stock                                 | 1,330                   | —         | —         |
| Net income attributable to common stockholders**              | \$ 35,250               | \$ 36,904 | \$ 89,997 |
| Weighted average common shares outstanding - basic            | 10,781                  | 9,962     | 9,651     |
| Earnings per share available to common stockholders - basic   | \$ 3.27                 | \$ 3.70   | \$ 9.33   |
| Weighted average common shares outstanding - diluted          | 11,226                  | 10,590    | 10,155    |
| Earnings per share available to common stockholders - diluted | \$ 3.14                 | \$ 3.48   | \$ 8.86   |

\* The 200,000 shares issued and outstanding as of December 31, 2023 were non-participating. A preferred dividend of \$0.4 million was accrued for Q1 2024 and included in the preferred stock redemption.

\*\* Net income attributable to common stockholders was computed by deducting the difference between the fair value of the consideration transferred to the holders of the preferred stock and the carrying amount of the preferred stock and fair value of the related derivative liability of \$1.3 million for the years ended December 31, 2024 and the preferred stock dividend of \$1.5 million and \$1.4 million for the years ended December 31, 2023 and 2022 respectively.

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the weighted average number of common shares and common share equivalents outstanding during the period (which consist of restricted stock units).

## Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” The new guidance eliminates two of the three models in ASC 470-20, which required entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock. As a result, only conversion features accounted for under the substantial premium model in ASC 470-20 and those that require bifurcation in accordance with ASC 815-15 will be accounted for separately. In addition, the amendments in ASU 2020-06 eliminates some of the requirements in ASC 815-40 related to equity classification. The amendments in ASU 2020-06 further revised the guidance in ASC 260, Earnings Per Share (“EPS”), to address how convertible instruments are accounted for in calculating diluted EPS, and requires enhanced disclosures about the terms of convertible instruments and contracts in an entity’s own equity. The new standard is effective for the Company for fiscal years beginning after December 15, 2023, including interim periods within these fiscal years, with early adoption permitted. The Company adopted ASU 2020-06 on January 1, 2024. The adoption of this new accounting standard did not have a material impact on the Company’s consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The new standard is effective for the Company for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company adopted this standard as of December 31, 2024, which resulted in incremental segment disclosures. See Note 3 - Business Segments, Geographic Data and Sales by Major Customers.

### ***Recent Accounting Pronouncements***

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This ASU provides standardization of tax disclosures, primarily related to the rate reconciliation and income taxes paid information. The new standard is effective for the Company for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the updated disclosure will have on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”. The new guidance improves disclosures about a public business entity’s expenses by requiring disaggregated disclosures of certain types of expenses, including purchases of inventory, employee compensation, depreciation, intangible amortization and depletion, as applicable, for each income statement caption that includes those expenses. In addition, the standard will require entities to define and disclose total selling expenses. The standard is effective for public business entities such as the Company for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted, and entities may apply the standard prospectively or retrospectively. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and related disclosures.

### **Note 3—Business Segments, Geographic Data and Sales by Major Customers**

The Company is a worldwide producer and marketer of children’s toys and other consumer products, principally engaged in the design, development, production, marketing and distribution of its diverse portfolio of products. The Company’s segments are (i) Toys/Consumer Products and (ii) Costumes.

The Toys/Consumer Products (“TCP”) segment includes action figures, vehicles, play sets, plush products, dolls, electronic products, construction toys, infant and pre-school toys, child-sized and hand-held role play toys and everyday costume play, foot-to-floor ride-on vehicles, wagons, novelty toys, seasonal and outdoor products, kids’ indoor and outdoor furniture, and related products.

The Costumes segment, under its Disguise branding, designs, develops, markets and sells a wide range of every-day and special occasion dress-up costumes and related accessories in support of Halloween, Carnival, Children’s Day, Book Day/Week, and every-day/any-day costume play.

The Company’s Chief Executive Officer and Chief Financial Officer have been identified jointly as the chief operating decision maker (“CODM”). The CODM manages and allocates resources on a segment basis. The determination of the two segments is consistent with the financial information regularly reviewed by the CODM for purposes of evaluating performance. Results are regularly reviewed in comparison with current budget, prior forecast, prior year and recent years’ performance in that quarter.

Segment performance is measured at the operating income (loss) level. All sales are made to external customers and general corporate expenses have been attributed to the segments based upon relative sales volumes. Segment assets are primarily comprised of accounts receivable and inventories, net of applicable reserves and allowances, goodwill and other assets. Certain assets which are not tracked by operating segment and/or that benefit multiple operating segments have been allocated on the same basis.

Results are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise. Information by segment and a reconciliation to reported amounts as of December 31, 2024 and 2023 and for the three years in the period ended December 31, 2024 are as follows (in thousands):

|                                                                             | Year Ended December 31, |            |                  |            |            |                  |            |            |                  |
|-----------------------------------------------------------------------------|-------------------------|------------|------------------|------------|------------|------------------|------------|------------|------------------|
|                                                                             | 2024                    |            |                  | 2023       |            |                  | 2022       |            |                  |
|                                                                             | TCP                     | Costumes   | Total            | TCP        | Costumes   | Total            | TCP        | Costumes   | Total            |
| Net Sales                                                                   | \$ 570,018              | \$ 121,024 | \$ 691,042       | \$ 580,686 | \$ 130,871 | \$ 711,557       | \$ 647,317 | \$ 148,870 | \$ 796,187       |
| Cost of Sales <sup>(A)</sup>                                                | 389,534                 | 88,487     | 478,021          | 388,260    | 99,944     | 488,204          | 465,405    | 119,496    | 584,901          |
| Gross Profit                                                                | 180,484                 | 32,537     | 213,021          | 192,426    | 30,927     | 223,353          | 181,912    | 29,374     | 211,286          |
| Direct selling expenses                                                     | 33,255                  | 6,850      | 40,105           | 33,604     | 3,383      | 36,987           | 28,790     | 4,500      | 33,290           |
| Product development and testing expenses                                    | 8,059                   | 2,838      | 10,897           | 6,740      | 2,564      | 9,304            | 7,432      | 2,356      | 9,788            |
| Divisional general and administrative expenses <sup>(A), (B)</sup>          | 28,539                  | 12,341     | 40,880           | 23,746     | 13,495     | 37,241           | 21,493     | 11,429     | 32,922           |
| Allocated headquarter general & administrative expenses <sup>(A), (C)</sup> | 67,810                  | 13,645     | 81,455           | 67,409     | 13,305     | 80,714           | 61,499     | 12,817     | 74,316           |
| Income (loss) from operations                                               | 42,821                  | (3,137)    | 39,684           | 60,927     | (1,820)    | 59,107           | 62,698     | (1,728)    | 60,970           |
| Income (loss) from joint venture                                            |                         |            |                  |            |            | (565)            |            |            | -                |
| Other income (expense), net                                                 |                         |            | 302              |            |            | 563              |            |            | 797              |
| Change in fair value of preferred stock derivative liability                |                         |            |                  |            |            | (8,029)          |            |            | (636)            |
| Loss on debt extinguishment                                                 |                         |            |                  |            |            | (1,023)          |            |            | -                |
| Interest income                                                             |                         |            | 841              |            |            | 1,344            |            |            | 127              |
| Interest expense                                                            |                         |            | (1,095)          |            |            | (6,451)          |            |            | (11,183)         |
| Income before provision for (benefit from) income taxes                     |                         |            | <u>\$ 39,732</u> |            |            | <u>\$ 44,946</u> |            |            | <u>\$ 50,075</u> |

(A) Includes depreciation and amortization \$ 9,925 \$ 121 \$ 10,046 \$ 8,409 \$ 176 \$ 8,585 \$ 10,182 \$ 396 \$ 10,578

(B) Consist mainly of payroll and related expenses, rent, depreciation and other general and administrative expenses.

(C) Consist mainly of payroll related expenses, rent, depreciation and other general and administrative expenses.

| Assets                 | December 31,      |                   |
|------------------------|-------------------|-------------------|
|                        | 2024              | 2023              |
| Toys/Consumer Products | \$ 429,254        | \$ 383,812        |
| Costumes               | 15,615            | 15,139            |
|                        | <u>\$ 444,869</u> | <u>\$ 398,951</u> |

Net revenues are categorized based upon location of the customer, while long-lived assets are categorized based upon the location of the Company's assets. The following tables present information about the Company by geographic area as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 (in thousands):

|                                   | Year Ended December 31, |                   |                   |
|-----------------------------------|-------------------------|-------------------|-------------------|
|                                   | 2024                    | 2023              | 2022              |
| <b>Net Sales by Customer Area</b> |                         |                   |                   |
| United States                     | \$ 545,013              | \$ 557,865        | \$ 644,295        |
| Europe                            | 71,392                  | 76,464            | 85,348            |
| Latin America                     | 38,159                  | 32,024            | 18,338            |
| Canada                            | 20,983                  | 26,992            | 26,515            |
| Australia and New Zealand         | 7,409                   | 7,542             | 8,836             |
| Asia                              | 6,101                   | 8,543             | 10,431            |
| Middle East and Africa            | 1,985                   | 2,127             | 2,424             |
|                                   | <u>\$ 691,042</u>       | <u>\$ 711,557</u> | <u>\$ 796,187</u> |

|                          | December 31,     |                  |
|--------------------------|------------------|------------------|
|                          | 2024             | 2023             |
| <b>Long-lived Assets</b> |                  |                  |
| United States            | \$ 53,020        | \$ 21,206        |
| China                    | 13,553           | 13,794           |
| United Kingdom           | 808              | 892              |
| Italy                    | 754              | 811              |
| Hong Kong                | 582              | 1,410            |
| Canada                   | 107              | 23               |
| France                   | 41               | —                |
| Mexico                   | 31               | 55               |
|                          | <u>\$ 68,896</u> | <u>\$ 38,191</u> |

#### Major Customers

Net sales to major customers globally were as follows (in thousands, except for percentages):

|          | 2024              |                         | 2023              |                         | 2022              |                         |
|----------|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|
|          | Amount            | Percentage of Net Sales | Amount            | Percentage of Net Sales | Amount            | Percentage of Net Sales |
| Target®  | \$ 204,396        | 29.6%                   | \$ 215,211        | 30.3%                   | \$ 203,200        | 25.5%                   |
| Walmart® | 166,943           | 24.2                    | 148,354           | 20.8                    | 226,318           | 28.4                    |
| Amazon®  | 73,149            | 10.6                    | 74,878            | 10.5                    | 66,393            | 8.3                     |
|          | <u>\$ 444,488</u> | <u>64.4%</u>            | <u>\$ 438,443</u> | <u>61.6%</u>            | <u>\$ 495,911</u> | <u>62.2%</u>            |

No other customer accounted for more than 10% of the Company's total net sales.

The concentration of the Company's business with a relatively small number of customers may expose the Company to material adverse effects if one or more of its large customers were to experience financial difficulty. The Company performs ongoing credit evaluations of its top customers and maintains an allowance for potential credit losses.

#### Note 4—Joint Ventures

In November 2014, the Company entered into a joint venture with Meisheng Culture & Creative Corp. Ltd., ("MC&C"), for the purpose of providing certain JAKKS licensed and non-licensed toys and consumer products to agreed-upon territories of the People's Republic of China. On May 10, 2023, the Company dissolved the joint venture with MC&C. Prior to the dissolution, the Company owned fifty-one percent of the joint venture. The results of operations of the joint venture are consolidated with the Company's results. The non-controlling interest's share of the income (loss) from the joint venture for the years ended December 31, 2023 and 2022 was (\$293,000) and (\$330,000), respectively.

**Note 5—Prepaid Expenses and Other Assets**

Prepaid expenses and other assets for the years ended December 31, 2024 and 2023 consist of the following (in thousands):

|                           | December 31,     |                 |
|---------------------------|------------------|-----------------|
|                           | 2024             | 2023            |
| Income tax receivable     | \$ 8,798         | \$ 2,672        |
| Prepaid expenses          | 2,306            | 1,724           |
| Royalty advances          | 941              | 1,450           |
| Employee retention credit | 285              | 285             |
| Other assets              | 1,811            | 243             |
|                           | <u>\$ 14,141</u> | <u>\$ 6,374</u> |

**Note 6—Goodwill**

There were no changes in the carrying amount of goodwill by reporting unit for the years ended December 31, 2024 and 2023.

In the second quarter of 2024, the Company performed a quantitative assessment and determined that goodwill was not impaired as the fair value of the reporting units exceeded the carrying value. There were no events or changes in circumstances after the second quarter assessment that indicated that the carrying value of a reporting unit may exceed its fair value as of December 31, 2024.

**Note 7—Concentration of Credit Risk**

Financial instruments that subject the Company to concentration of credit risk are cash and cash equivalents and accounts receivable. Cash equivalents consist primarily of overnight and money market funds. These instruments are short-term in nature and bear minimal risk.

The Company maintains certain cash balances in excess of Federal Deposit Insurance Corporation (“FDIC”) insured limits. The Company has not experienced any losses in such accounts and believes that the credit risk to the Company’s cash is minimal.

The Company performs ongoing credit evaluations of its customers’ financial conditions but does not require collateral to support domestic customer accounts receivable. For goods shipped FOB Hong Kong or China, the Company may require irrevocable letters of credit from the customer or purchase various forms of credit insurance.



## Note 8—Accrued Expenses

Accrued expenses consist of the following (in thousands):

|                                | December 31,     |                  |
|--------------------------------|------------------|------------------|
|                                | 2024             | 2023             |
| Royalties                      | \$ 25,893        | \$ 23,594        |
| Inventory liabilities          | 5,131            | 2,611            |
| Salaries and employee benefits | 4,556            | 6,707            |
| Goods in transit               | 2,128            | 1,154            |
| Professional fees              | 1,337            | 1,556            |
| Bonuses                        | 1,197            | 1,604            |
| Third-party warehouse          | 864              | 1,033            |
| Sales commissions              | 479              | 506              |
| Unearned revenue               | 247              | 701              |
| Interest expense               | 77               | 63               |
| Other                          | 6,547            | 5,573            |
|                                | <u>\$ 48,456</u> | <u>\$ 45,102</u> |

In addition to royalties currently payable on the sale of licensed products during the year, the Company records a liability as accrued royalties for the estimated shortfall in achieving minimum royalty guarantees pursuant to certain license agreements (see Note—16 - Commitments).

Accrued expenses – long-term related to obligations from the Company’s non-qualified deferred compensation plan (see Note 18 – Employee Benefit Plans) which were \$2.6 million and \$1.0 million as of December 31, 2024 and 2023, respectively. Other long-term accrued expenses were nil as of December 31, 2024 and \$2.7 million as of December 31, 2023, related to negotiated extended payment terms as part of a multi-year agreement with a 3rd party rights holder.

## Note 9—Debt

### Term Loan

The Company and certain of its subsidiaries, as borrowers, had entered into a First Lien Term Loan Facility Credit Agreement on June 2, 2021, (the “2021 BSP Term Loan Agreement”) with Benefit Street Partners L.L.C., as Sole Lead Arranger, and BSP Agency, LLC, as agent, for a \$99.0 million first-lien secured term loan (the “Initial Term Loan”) and a \$19.0 million delayed draw term loan (the “Delayed Draw Term Loan” and collectively, the “2021 BSP Term Loan”). Net proceeds from the issuance of the 2021 BSP Term Loan, after deduction of \$2.2 million in closing fees and \$0.5 million of other administrative fees paid directly to the lenders, totaled \$96.3 million. These fees are amortized over the life of the 2021 BSP Term Loan on a straight-line basis which approximates the effective interest method. Proceeds from the Initial Term Loan, together with available cash from the Company, were used to repay the Company’s former term loan (the “2019 Recap Term Loan” formerly known as the “New Term Loan” in prior filings) under the agreement dated as of August 9, 2019 with Cortland Capital Market Services LLC, as agent for certain investor parties. The Delayed Draw Term Loan provision was designed to provide necessary capital to redeem any of the Company’s outstanding 3.25% convertible senior notes due 2023, upon their maturity, which, upon repayment of the 2019 Recap Term Loan, accelerated to no later than 91 days from the repayment of the 2019 Recap Term Loan, or September 1, 2021. On July 29, 2021, the Company terminated its Delayed Draw Term Loan option as it determined it had sufficient liquidity to fund any outstanding convertible senior notes that remained upon maturity.

The 2021 BSP Term Loan Agreement contained negative covenants that, subject to certain exceptions, limited the ability of the Company and its subsidiaries to, among other things, incur additional indebtedness, make restricted payments, pledge its assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. Commencing with the fiscal quarter ending June 30, 2021, the Company was required to maintain a Net Leverage Ratio of 4:00x, with step-downs occurring each fiscal year starting with the quarter ending March 31, 2022 through the quarter ending September 30, 2024 in which the Company was required to maintain a Net Leverage Ratio of 3:00x. On April 26, 2022, the Company entered into a First Amendment to the 2021 BSP Term Loan Agreement, to provide, among other things, that the Company must maintain Qualified Cash of at least: (a) at all times after the Closing Date and prior to the First Amendment Effective Date, April 26, 2022, \$20.0 million; (b) at all times during the period commencing on the First Amendment Effective Date through and including June 30, 2022, \$15.0 million; and (c) at all times on and after July 1, 2022, through September 30, 2022, \$17.5 million; provided, however, that if the Total Net Leverage Ratio exceeded 1.75:1.00 as of the last day of the most recently ended month for which financial statements were required to have been delivered, then the amount set forth in this clause was to be increased to \$20.0 million. Notwithstanding the foregoing, the Applicable Minimum Cash Amount was to be reduced by \$1.0 million for every \$5.0 million principal prepayment or repayment of the Term Loans following the First Amendment Effective Date; provided however, that, the Applicable Minimum Cash Amount was in no event to be reduced below \$15.0 million.

Amounts outstanding under the 2021 BSP Term Loan bore interest at either (i) LIBOR plus 6.50% - 7.00% (determined by reference to a net leverage pricing grid), subject to a 1.00% LIBOR floor, or (ii) base rate plus 5.50% - 6.00% (determined by reference to a net leverage pricing grid), subject to a 2.00% base rate floor. The 2021 BSP Term Loan was termed to mature in June 2027.

The 2021 BSP Term Loan Agreement contained events of default that are customary for a facility of this nature, including (subject in certain cases to grace periods and thresholds) nonpayment of principal, nonpayment of interest, fees or other amounts, material inaccuracy of representations and warranties, violation of covenants, cross-default to certain other existing indebtedness, bankruptcy or insolvency events, certain judgment defaults and a change of control as specified in the 2021 BSP Term Loan Agreement. If an event of default occurred, the maturity of the amounts owed under the 2021 BSP Term Loan Agreement might have been accelerated.

The obligations under the 2021 BSP Term Loan Agreement were guaranteed by the Company, the subsidiary borrowers thereunder and certain of the other existing and future direct and indirect subsidiaries of the Company and were secured by substantially all of the assets of the Company, the subsidiary borrowers thereunder and such other subsidiary guarantors, in each case, subject to certain exceptions and permitted liens and subject to the priority lien granted under the JPMorgan ABL Credit Agreement (see Note 10 – Credit Facilities).

In January 2023, the Company entered into a second amendment for its 2021 BSP Term Loan Agreement, which transitioned the interest reference rate on its 2021 BSP Term Loan from LIBOR to the Secured Overnight Financing Rate (“SOFR”). The new interest reference rate for the 2021 BSP Term Loan was effective on April 1, 2023. In addition to the transition to SOFR, the amendment also included a constant 0.10% spread adjustment until the maturity of the 2021 BSP Term Loan.

On January 3, 2023, as permitted by the terms within the 2021 BSP Term Loan Agreement, the Company had made a voluntary \$15.0 million prepayment towards the outstanding principal amount of the 2021 BSP Term Loan and incurred a \$0.2 million prepayment penalty and on March 3, 2023, as required by the terms within the 2021 BSP Term Loan Agreement under the Excess Cash Flow (“ECF”) Sweep provision, the Company had made a mandatory \$23.1 million payment towards the outstanding principal amount of the 2021 BSP Term Loan.

On June 5, 2023, the Company paid in full the 2021 BSP Term Loan and terminated the 2021 BSP Term Loan Agreement by making a \$30.2 million prepayment towards the outstanding principal amount. Additionally, the Company made a \$0.4 million payment towards the outstanding accrued interest, and a \$0.3 million payment for the prepayment penalty and other related fees. In connection with this transaction, the Company recognized a loss on debt extinguishment of \$1.0 million on its consolidated statements of operations.

The agent and Sole Lead Arranger under the 2021 BSP Term Loan were affiliates of an affiliate of the Company, which affiliate, at the time of refinancing, owned common stock, and the 3.25% convertible senior notes due 2023 of the Company as well as the Company’s outstanding Series A Preferred Stock.

The fair value of the Company’s 2021 BSP Term Loan was considered Level 3 fair value (see Note 15 – Fair Value Measurements for further discussion of the fair value hierarchy) and was measured using the discounted future cash flow method. In addition to the debt terms, the valuation methodology included an assumption of a discount rate that approximated the current yield on a debt security with comparable risk. This assumption was considered an unobservable input in that it reflected the Company’s own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believed that this was the best information available for use in the fair value measurement.

**Note 10—Credit Facilities*****JPMorgan Chase***

On June 2, 2021, the Company and certain of its subsidiaries, as borrowers, entered into a Credit Agreement (the “JPMorgan ABL Credit Agreement”), with JPMorgan Chase Bank, N.A., as agent and lender for a \$67,500,000 senior secured revolving credit facility (the “JPMorgan ABL Facility”). The JPMorgan ABL Credit Agreement replaced the Company’s existing asset-based revolving credit agreement, dated as of March 27, 2014 (the “Wells Fargo ABL Facility,” formerly known as the “Amended ABL Facility” in prior filings), with General Electric Capital Corporation, since assigned to Wells Fargo Bank, National Association. The Company pays a commitment fee (0.25% - 0.375%) based on the unused portion of the revolving credit facility. Any amounts borrowed under the JPMorgan ABL Facility bore interest at either (i) LIBOR plus 1.50% - 2.00% (determined by reference to an excess availability pricing grid) or (ii) Alternate Base Rate plus 0.50% - 1.00% (determined by reference to an excess availability pricing grid and base rate subject to a 1.00% floor). The JPMorgan ABL Facility matures in June 2026. As of December 31, 2024 and 2023, the weighted average interest rate on the credit facility with JPMorgan Chase Bank was 7.30% and 6.77%, respectively.

In March 2023, the Company entered into a first amendment for its JPMorgan ABL Credit Agreement, which transitioned the interest reference rate on its JPMorgan ABL Facility from LIBOR to the Secured Overnight Financing Rate (“SOFR”). The new interest reference rate for the ABL Facility became effective on March 16, 2023. Any amounts borrowed under the JPMorgan ABL Facility will bear interest at either (i) SOFR plus 1.50% - 2.00% (determined by reference to an excess availability pricing grid) plus a constant 0.10% spread adjustment or (ii) Alternate Base Rate plus 0.50% - 1.00% (determined by reference to an excess availability pricing grid and base rate subject to a 1.00% floor).

The JPMorgan ABL Credit Agreement contains negative covenants that, subject to certain exceptions, limit the ability of the Company and its subsidiaries to, among other things, incur additional indebtedness, make restricted payments, pledge their assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. Under certain circumstances the Company is also subject to a springing fixed charge coverage ratio covenant of not less than 1.1 to 1.0, as described in more detail in the JPMorgan ABL Credit Agreement.

The JPMorgan ABL Credit Agreement contains events of default that are customary for a facility of this nature, including (subject in certain cases to grace periods and thresholds) nonpayment of principal, interest, fees or other amounts, material inaccuracy of representations and warranties, violation of covenants, cross-default to certain other existing indebtedness, bankruptcy or insolvency events, certain judgment defaults, loss of liens or guarantees and a change of control as specified in the JPMorgan ABL Credit Agreement. If an event of default occurs, the commitments of the lenders to lend under the JPMorgan ABL Credit Agreement may be terminated and the maturity of the amounts owed may be accelerated.

The obligations under the JPMorgan ABL Credit Agreement are guaranteed by the Company, the subsidiary borrowers thereunder and certain of the other existing and future direct and indirect subsidiaries of the Company and are secured by substantially all of the assets of the Company, the subsidiary borrowers thereunder and such other subsidiary guarantors, in each case, subject to certain exceptions and permitted liens.

As of December 31, 2024, the amount of outstanding borrowings was nil and the total excess borrowing availability was \$61.2 million.

As of December 31, 2024, off-balance sheet arrangements include letters of credit issued by JPMorgan of \$4.4 million.

Amortization expense classified as interest expense related to the \$1.6 million of debt issuance costs associated with the transaction that closed on June 2, 2021 was \$0.3 million and \$0.3 million for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, the Company was in compliance with the financial covenants under the JPMorgan ABL Credit Agreement.

## Note 11—Related Party Transactions

In November 2014, the Company entered into a joint venture with MC&C for the purpose of providing certain JAKKS licensed and non-licensed toys and consumer products to agreed-upon territories of the People's Republic of China which was dissolved in 2023 (see Note 4 – Joint Ventures).

In March 2017, the Company entered into an equity purchase agreement with Hong Kong Meisheng Cultural Company Limited (“Meisheng”) which provided, among other things, that as long as Meisheng and its affiliates hold 10% or more of the issued and outstanding shares of common stock of the Company, Meisheng shall have the right from time to time to designate a nominee for election to the Company's board of directors. Since such time, Mr. Xiaoqiang Zhao was Meisheng's nominee. Meisheng and its affiliates own less than 10% of the Company's outstanding shares of common stock. Mr. Zhao did not stand for reelection as director at the Company's 2024 annual meeting. Since December 6, 2024, Meisheng is not represented on the Company's board of directors and thus ceased to be a related party to the company.

Meisheng serves as a significant manufacturer of the Company. For the years ended December 31, 2024, 2023 and 2022, the Company made inventory, molds and tooling related payments to Meisheng of approximately \$98.4 million, \$75.7 million and \$120.5 million respectively. As of December 31, 2024 and 2023, amounts due to Meisheng for inventory received by the Company, but not paid totaled \$13.5 million and \$12.3 million, respectively. For the year ended December 31, 2024, the Company recorded sales revenues of \$0.1 million from Party X People GMBH, a subsidiary of Meisheng.

## Note 12—Income Taxes

The Company does not file a consolidated return with its foreign subsidiaries. The Company files federal and state returns and its foreign subsidiaries file returns in their respective jurisdiction.

For the years ended 2024, 2023 and 2022, the provision for income taxes, which included federal, state and foreign income taxes, was an expense of \$5.5 million, an expense of \$6.8 million, and an benefit of \$41.0 million, respectively, reflecting effective tax provision rates of 13.9%, 15.2% and (81.9)%, respectively.

The 2024 tax expense of \$5.5 million included a discrete tax benefit of \$1.4 million primarily comprised return to provision adjustments. Absent these discrete tax benefits, our effective tax rate for 2024 was 17.4%, primarily due to taxes on federal, state and foreign income.

For the years ended 2023 and 2022, provision for income taxes includes federal, state and foreign income taxes at effective tax rates of 15.2% and (81.9)%, respectively. Exclusive of discrete items, the effective tax provision rate would be 21.3% in 2023 and 17.6% in 2022.

As of December 31, 2024 and 2023, the Company had net deferred tax assets of \$70.4 million and \$68.1 million, respectively, related to U.S. and foreign jurisdictions.

Provision for income taxes reflected in the accompanying consolidated statements of operations are comprised of the following (in thousands):

|                                             | Year ended December 31, |           |             |
|---------------------------------------------|-------------------------|-----------|-------------|
|                                             | 2024                    | 2023      | 2022        |
| Current income tax expense (benefit):       |                         |           |             |
| Federal                                     | \$ 4,204                | \$ 11,935 | \$ 11,293   |
| State and local                             | 569                     | 2,167     | 2,031       |
| Foreign                                     | 3,010                   | 3,070     | 3,523       |
| Total current income tax expense (benefit)  | 7,783                   | 17,172    | 16,847      |
| Deferred income tax expense (benefit):      |                         |           |             |
| Federal                                     | (2,340)                 | (8,989)   | (51,579)    |
| State and Local                             | 247                     | (1,358)   | (6,071)     |
| Foreign                                     | (158)                   | 8         | (205)       |
| Total deferred income tax expense (benefit) | (2,251)                 | (10,339)  | (57,855)    |
| Total income tax expense (benefit)          | \$ 5,532                | \$ 6,833  | \$ (41,008) |

The components of deferred tax assets/(liabilities) are as follows (in thousands):

|                                                           | Year ended December 31, |                  |
|-----------------------------------------------------------|-------------------------|------------------|
|                                                           | 2024                    | 2023             |
| <b>Deferred Income Tax Assets:</b>                        |                         |                  |
| Reserve for sales allowances and possible losses          | \$ 956                  | \$ 654           |
| Accrued expenses                                          | 1,940                   | 3,467            |
| Prepaid royalties                                         | 39                      | 676              |
| Accrued royalties                                         | 1,833                   | 1,693            |
| Inventory                                                 | 12,876                  | 12,444           |
| State income taxes                                        | 224                     | 477              |
| Property and equipment                                    | 1,752                   | 1,789            |
| Goodwill and intangibles                                  | 728                     | 1,192            |
| Share based compensation                                  | 1,277                   | 1,025            |
| Interest limitation                                       | 2,243                   | 2,243            |
| Lease obligation                                          | 12,766                  | 4,991            |
| Federal and state net operating loss carryforwards        | 34,355                  | 34,458           |
| Foreign net operating loss carryforwards                  | 110                     | 110              |
| Credit carryforwards                                      | 3                       | —                |
| Section 174 Capitalization                                | 10,884                  | 7,962            |
| Other                                                     | 1,567                   | 1,097            |
| <b>Total Deferred Income Tax Assets</b>                   | <b>83,553</b>           | <b>74,278</b>    |
| <b>Deferred Income Tax Liabilities:</b>                   |                         |                  |
| Undistributed foreign earnings                            | (428)                   | (503)            |
| Operating lease right-of-use assets                       | (12,013)                | (4,908)          |
| <b>Total Deferred Income Tax Liabilities</b>              | <b>(12,441)</b>         | <b>(5,411)</b>   |
| Valuation allowance                                       | (718)                   | (724)            |
| <b>Total Net Deferred Income Tax Assets/(Liabilities)</b> | <b>\$ 70,394</b>        | <b>\$ 68,143</b> |

Provision for income taxes varies from the U.S. federal statutory rate. The following reconciliation shows the significant differences in the tax at statutory and effective rates:

|                                                           | Year ended December 31, |              |                |
|-----------------------------------------------------------|-------------------------|--------------|----------------|
|                                                           | 2024                    | 2023         | 2022           |
| Federal income tax expense                                | 21.0%                   | 21.0%        | 21.0%          |
| State income tax expense, net of federal tax effect       | 1.8                     | 2.0          | 1.9            |
| Effect of differences in U.S. and foreign statutory rates | (1.3)                   | (1.1)        | (1.3)          |
| Uncertain tax positions                                   | 0.4                     | 0.6          | 5.5            |
| Provision to return                                       | (4.4)                   | (0.1)        | (0.2)          |
| Other deferred adjustments                                | (0.2)                   | (5.7)        | 21.4           |
| Change in tax rate                                        | 0.8                     | 0.1          | 6.9            |
| GILTI                                                     | 5.2                     | —            | 4.2            |
| Foreign derived intangible income                         | (8.6)                   | (9.8)        | (10.6)         |
| Other non-deductible expenses                             | (3.6)                   | (0.7)        | 0.5            |
| Unrealized loss                                           | —                       | 4.2          | 0.3            |
| Section 162(m)                                            | 8.1                     | 6.4          | 4.2            |
| R&D credit                                                | (1.0)                   | (1.5)        | (0.5)          |
| Foreign tax credit                                        | (4.8)                   | —            | (3.6)          |
| Undistributed foreign earnings                            | (0.2)                   | 0.1          | (1.4)          |
| Valuation allowance                                       | —                       | —            | (130.2)        |
| Other                                                     | 0.7                     | (0.3)        | —              |
|                                                           | <u>13.9%</u>            | <u>15.2%</u> | <u>(81.9)%</u> |

Deferred taxes result from temporary differences between tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The temporary differences result from costs required to be capitalized for tax purposes by the U.S. Internal Revenue Code (“IRC”), and certain items accrued for financial reporting purposes in the year incurred but not deductible for tax purposes until paid.

The components of income (loss) before provision for income taxes are as follows (in thousands):

|          | Year ended December 31, |                  |                  |
|----------|-------------------------|------------------|------------------|
|          | 2024                    | 2023             | 2022             |
| Domestic | \$ 24,801               | \$ 28,552        | \$ 31,588        |
| Foreign  | 14,931                  | 16,394           | 18,487           |
|          | <u>\$ 39,732</u>        | <u>\$ 44,946</u> | <u>\$ 50,075</u> |

The Company uses a recognition threshold and measurement process for recording in the consolidated financial statements uncertain tax positions (“UTP”) taken or expected to be taken in a tax return.

The following table provides further information of UTPs that would affect the effective tax rate, if recognized, as of December 31, 2024 (in millions):

|                                                              |               |
|--------------------------------------------------------------|---------------|
| Balance, December 31, 2021                                   | \$ 0.2        |
| Additions based on tax positions related to the current year | 0.1           |
| Additions for tax positions of prior years                   | 2.8           |
| Settlements                                                  | (0.2)         |
| Balance, December 31, 2022                                   | 2.9           |
| Additions based on tax positions related to the current year | 0.3           |
| Additions for tax positions of prior years                   | 0.8           |
| Settlements                                                  | (0.9)         |
| Balance, December 31, 2023                                   | 3.1           |
| Additions based on tax positions related to the current year | 0.2           |
| Additions for tax positions of prior years                   | 0.1           |
| Settlements                                                  | (0.2)         |
| Balance, December 31, 2024                                   | <u>\$ 3.2</u> |

Current interest on uncertain income tax liabilities is recognized as a component of the income tax provision recognized in the consolidated statements of operations. During 2024 and 2023, the Company recognized \$173 thousand and \$41 thousand of interest expense related to UTPs, respectively.

The Company does not expect its gross unrecognized tax benefits to significantly change within the next 12 months.

Tax years 2021 through 2023 remain subject to Federal examination in the United States. The tax years 2020 through 2023 are generally still subject to examination in the various states. Furthermore, all net operating losses and tax credit carryforwards are still subject to review given that the statute of limitation for these items would begin in the year of utilization. The tax years 2018 through 2023 are still subject to examination in Hong Kong. In the normal course of business, the Company is audited by federal, state and foreign tax authorities.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets by jurisdiction. The Company is required to establish a valuation allowance for the U.S. deferred tax assets and record a charge to income if Management determines, based upon available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets may not be realized.

Based on the Company’s evaluation of all positive and negative evidence, as of December 31, 2024, a valuation allowance of \$0.7 million has been recorded against the deferred tax assets that more likely than not will not be realized. For the year ended December 31, 2024, the valuation allowance remained approximately the same as the \$0.7 million recorded at December 31, 2023. The 2024 and 2023 net deferred tax assets of \$70.4 million and \$68.1 million, respectively, consist of the net deferred tax assets in the US and foreign jurisdictions, where the Company is in a cumulative income position.

Pursuant to the Internal Revenue Code of 1986, as amended (the “Code”) Sections 382 and 383, annual use of a company’s NOL and tax credit carryforwards may be limited if there is a cumulative change in ownership of greater than 50% within a three-year period. The amount of the annual limitation is determined based on the value of the company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. If limited, the related tax asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. The Company had established a valuation allowance as the realization of such deferred tax assets had not met the more likely than not threshold requirement.

At December 31, 2024, the Company has U.S. federal net NOLs, of approximately \$148.6 million, which will begin to expire in 2033. At December 31, 2024, the Company has state NOLs of approximately \$48.7 million, which will begin to expire in 2025.

The Company maintained undistributed earnings overseas as of December 31, 2024. As of December 31, 2024, the Company believed the funds held by all non-U.S. subsidiaries will be permanently reinvested outside of the U.S., with the exception of Hong Kong. As a result of tax reform, the Company’s unrepatriated earnings are no longer subject to federal income tax in the U.S. when distributed.

#### **Note 13—Leases**

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. The Company has operating leases for corporate offices, warehouses, and certain equipment. The Company’s leases have remaining terms of 1 to 5 years, some of which include options to extend the lease for up to 10 years, and some of which include options to terminate the lease within 1 year. As of December 31, 2024, the Company’s weighted average remaining lease term is approximately 4 years and the weighted average discount rate used to calculate the Company’s lease liability is approximately 6.79%. As of December 31, 2023, the Company’s weighted average remaining lease term is approximately 4 years and the weighted average discount rate used to calculate the Company’s lease liability is approximately 7.31%.

Under ASC 842, total operating lease costs for the years ended December 31, 2024, 2023 and 2022 were \$12.5 million, \$12.4 million, and \$19.1 million, respectively. Of the \$12.5 million for the year ended December 31, 2024, \$2.1 million was related to short-term and variable lease costs, including common area maintenance charges, management fees, taxes and storage fees. Sublease rental income was \$1.6 million in 2024. Of the \$12.4 million for the year ended December 31, 2023, \$3.3 million was related to short-term and variable lease costs, including common area maintenance charges, management fees, taxes and storage fees. Sublease rental income was \$1.5 million in 2023. Of the \$19.1 million for the year ended December 31, 2022, \$10.7 million was related to short-term and variable lease costs, including common area maintenance charges, management fees, taxes and storage fees. Sublease rental income was \$2.2 million in 2022.

The Company had a cash outflow of \$9.1 million, \$10.7 million and \$11.5 million related to operating leases for the years ended December 31, 2024, 2023 and 2022, respectively.

The following table represents a reconciliation of the Company's undiscounted future minimum lease payments under operating leases to the lease liability excluding minimum lease payments for executed and legally enforceable leases that have not yet commenced as of December 31, 2024 (in thousands):

| <b>Year ending December 31,</b> |                  |
|---------------------------------|------------------|
| 2025                            | \$ 11,702        |
| 2026                            | 15,935           |
| 2027                            | 15,832           |
| 2028                            | 15,823           |
| 2029                            | 6,715            |
| Thereafter                      | 36               |
| <b>Total lease payments</b>     | <b>66,043</b>    |
| Imputed interest                | (9,519)          |
| <b>Total</b>                    | <b>\$ 56,524</b> |

As of December 31, 2024 and 2023, the minimum lease payments for executed and legally enforceable leases that have not yet commenced were nil.

#### **Note 14—Common Stock and Preferred Stock**

##### ***Common Stock***

All issuances of common stock, including those issued pursuant to restricted stock or unit grants, are issued from the Company's authorized but not issued and outstanding shares.

On March 11, 2024, the Company redeemed all of the outstanding shares of Series A Senior Preferred Stock for an aggregate price of \$20.0 million cash and 571,295 of its common shares representing a value of \$15.0 million based on a share price of \$26.26.

During 2024, certain employees, including two executive officers, surrendered an aggregate of 229,587 shares of restricted stock units for \$6.9 million to cover income taxes due on the vesting of restricted shares. Additionally, an aggregate of 22,223 shares of restricted stock granted in 2020, 2022 and 2023 with a value of approximately \$0.4 million was forfeited during 2024.

During 2023, certain employees, including three executive officers, surrendered an aggregate of 157,019 shares of restricted stock units for \$3.1 million to cover income taxes due on the vesting of restricted shares. Additionally, an aggregate of 34,588 shares of restricted stock granted in 2021 and 2022 with a value of approximately \$0.6 million was forfeited during 2023.

No dividend was declared or paid in 2024 and 2023.

##### ***At the Market Offering***

On July 1, 2022, the Company entered into an At the Market Issuance Sales Agreement ("ATM Agreement") with B. Riley, as agent pursuant to which the Company may, from time to time, sell shares of its common stock, up to \$75 million of common stock, in one or more offerings in amounts, prices and at terms that the Company will determine at the time of the offering.

As of the year ended December 31, 2024, the Company did not sell any shares of common stock under the ATM Agreement.

The Company has on file with the SEC an effective registration statement pursuant to which it may issue, from time to time, up to \$150 million of securities (which will be reduced by any amount of securities sold pursuant to the ATM Agreement) consisting of, or any combination of, common stock, preferred stock, debt securities, warrants, rights and/or units, in one or more offerings in amounts, prices and at terms that the Company will determine at the time of the offering.

As of the year ended December 31, 2024, the Company has not sold any securities pursuant to its shelf registration statement.



### ***Redeemable Preferred Stock***

On August 9, 2019, the Company entered into and consummated multiple, binding definitive agreements (collectively, the “Recapitalization Transaction”) among various investor parties to recapitalize the Company’s balance sheet. In connection with the Recapitalization Transaction, the Company issued 200,000 shares of Series A Senior Preferred Stock (the “Series A Preferred Stock”), \$0.001 par value per share, to the Investor Parties (the “New Preferred Equity”).

On March 11, 2024, the Company redeemed all of the outstanding shares of Series A Senior Preferred Stock for an aggregate price of \$20.0 million cash and 571,295 of its common shares, representing a value of \$15.0 million based on a share price of \$26.26, settling the preferred stock derivative liability of \$29.9 million and the preferred stock accrued dividends of \$6.0 million as of December 31, 2023. As of December 31, 2023, 200,000 shares of Series A Preferred Stock were outstanding.

Each share of Series A Preferred Stock had an initial value of \$100 per share, which was automatically increased for any accrued and unpaid dividends (the “Accreted Value”).

The Series A Preferred Stock had the right to receive dividends on a quarterly basis equal to 6.0% per annum, payable in cash or, if not paid in cash, by an automatic accretion of the Series A Preferred Stock. No cash dividends have been declared or paid. Prior to the redemption, for the years ended December 31, 2024 and 2023, the Company recorded \$0.4 million and \$1.5 million, respectively of preferred stock dividends as an increase in the value of the Series A Preferred Stock.

The Series A Preferred Stock had no stated maturity, however, the Company had the right to redeem all or a portion of the Series A Preferred Stock at its Liquidation Preference (as defined below) at any time after payment in full of the 2019 Recap Term Loan. In addition, upon the occurrence of certain change of control type events, holders of the Series A Preferred Stock were entitled to receive an amount (the “Liquidation Preference”), in preference to holders of Common Stock or other junior stock, equal to (i) 20% of the Accreted Value in the case of a certain specified transaction, or (ii) otherwise, 150% of the Accreted value, plus any accrued and unpaid dividends.

The Company had the right, but was not required, to repurchase all or a portion of the Series A Preferred Stock at its Liquidation Preference at any time after payment in full of the 2019 Recap Term Loan. The Series A Preferred Stock did not have any voting rights, except to the extent required by the Delaware General Corporation Law, except for the exclusive right to elect the Series A Preferred Directors (as described below) and except for certain approval rights over certain transactions (as described below). These approval rights required the prior consent of specified percentages of holders (or in certain cases, all holders) of the Series A Preferred Stock in order for the Company to take certain actions, including the issuance of additional shares of Series A Preferred Stock or parity stock, the issuance of senior stock, certain amendments to the Amended and Restated Certificate of Incorporation, the Certificate of Designations of the Series A Preferred Stock (the “Certificate of Designations”), the Second Amended and Restated By-laws or the Amended and Restated Nominating and Corporate Governance Committee Charter, material changes in the Company’s line of business and certain change of control type transactions. In addition, the Certificate of Designations provided that the approval of at least six directors were required for any related person transaction within the meaning of Item 404 of Regulation S-K under the Securities Act of 1933, as amended, including, without limitation, the adoption of, or any amendment, modification or waiver of, any agreement or arrangement related to any such transaction. The Certificate of Designations also included restrictions on the ability of the Company to pay dividends on or make distributions with respect to, or redeem or repurchase, shares of Common Stock or other junior stock. In addition, holders of the Series A Preferred Stock had preemptive rights regarding future issuance of Series A Preferred Stock or parity stock. In 2022, an agreement was reached with the preferred shareholders to eliminate their ability to elect members to the Company’s Board of Directors on a going-forward basis.

The Series A Preferred Stock redemption amount was contingent upon certain events with no stated redemption date as of the reporting date, although may become redeemable in the future. In accordance with the SEC guidance within ASC Topic 480, *Distinguishing Liabilities from Equity: Classification and Measurement of Redeemable Securities*, the Company classified the Series A Preferred Stock as temporary equity as the Series A Preferred Stock contained a redemption feature which was contingent upon certain deemed liquidation events, the occurrence of which may not solely have been within the control of the Company.

Under ASC 815, *Derivatives and Hedging*, certain contractual terms that meet the accounting definition of a derivative must be accounted for separately from the financial instrument in which they are embedded. The Company had concluded that the redemption upon a change of control and the repurchase option by the Company constituted embedded derivatives.

The embedded redemption upon a change of control must be accounted for separately from the Series A Preferred Stock. The redemption provision specified if certain events that constitute a change of control occur, the Company may be required to settle the Series A Preferred Stock at 150% of its accreted amount. Accordingly, the redemption provision met the definition of a derivative, and its economic characteristics were not considered clearly and closely related to the economic characteristics of the Series A Preferred Stock, and were more akin to a debt instrument than equity.

The Company considered the repurchase option to have no value as the likelihood was remote that this event, within the Company's control, would ever occur. The liability was accounted for at fair value, with changes in fair value recognized as other income (expense) on the Company's consolidated statements of operations (see Note 15 – Fair Value Measurement). The value of the redemption provision explicitly considered the present value of the potential premium that would be paid related to, and the probability of, an event that would trigger its payment. The probability of a triggering event was based on management's estimates of the probability of a change of control event occurring.

Accordingly, these two embedded derivatives were accounted for separately from the Series A Preferred Stock at fair value.

As of December 31, 2024, the Company had redeemed all of the outstanding shares of the Series A Preferred Stock.

As of December 31, 2023, the Series A Preferred Stock was recorded in temporary equity at the amount of accrued, but unpaid dividends of \$6.0 million, and the redemption provision, as a bifurcated derivative, is recorded as a long term liability with an estimated value of \$29.9 million.

As of December 31, 2023, the Series A Preferred Stock had a carrying value of \$26.0 million and a liquidation value of \$39.0 million.

The following table provides a reconciliation of the beginning and ending balances of the Series A Preferred Stock, which is recorded in temporary equity:

|                                   | 2024        | 2023            | 2022            |
|-----------------------------------|-------------|-----------------|-----------------|
| Balance, January 1,               | \$ 5,992    | \$ 4,490        | \$ 3,074        |
| Preferred stock accrued dividends | 390         | 1,502           | 1,416           |
| Preferred stock redemption        | (6,382)     | —               | —               |
| Balance, December 31,             | <u>\$ —</u> | <u>\$ 5,992</u> | <u>\$ 4,490</u> |

#### Note 15—Fair Value Measurements

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based upon the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following tables summarize the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023 (in thousands):

|                                                      | Carrying<br>Amount as of<br>December 31,<br>2024 | Fair Value Measurements<br>As of December 31, 2024 |         |         |
|------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------|---------|
|                                                      |                                                  | Level 1                                            | Level 2 | Level 3 |
| Money market funds                                   | \$ 39,907                                        | \$ 39,907                                          | \$ —    | \$ —    |
| Investments in employee deferred compensation trusts | 1,686                                            | 1,686                                              | —       | —       |

|                                                      | Carrying<br>Amount as of<br>December 31,<br>2023 | Fair Value Measurements<br>As of December 31, 2023 |         |         |
|------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|---------|---------|
|                                                      |                                                  | Level 1                                            | Level 2 | Level 3 |
| Money market funds                                   | \$ 45,130                                        | \$ 45,130                                          | \$ —    | \$ —    |
| Investments in employee deferred compensation trusts | 41                                               | 41                                                 | —       | —       |
| Preferred stock derivative liability                 | 29,947                                           | —                                                  | —       | 29,947  |

Money market funds are included in cash and cash equivalents on the Consolidated Balance Sheets. Investments in employee deferred compensation trusts which are comprised of mutual funds are classified as trading securities are included in prepaid and other assets on the Consolidated Balance Sheets (refer to Note 18 – Employee Benefit Plans).

The following table provides a reconciliation of the beginning and ending balances of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

**Preferred stock derivative liability**

|                                                      | 2024        | 2023             | 2022             |
|------------------------------------------------------|-------------|------------------|------------------|
| Balance at January 1,                                | \$ 29,947   | \$ 21,918        | \$ 21,282        |
| Change in fair value                                 | —           | 8,029            | 636              |
| Extinguishment through redemption of preferred stock | (29,947)    | —                | —                |
| Balance at December 31,                              | <u>\$ —</u> | <u>\$ 29,947</u> | <u>\$ 21,918</u> |

The Company's Series A Preferred derivative liability was classified within Level 3 of the fair value hierarchy because unobservable inputs were used in estimating the fair value. The fair value of the redemption provision embedded in the Series A Preferred Stock was estimated based on a discounted cash flow model and probability assumptions based on management's estimates of a change of control event occurring. The value of the redemption provision explicitly considered the present value of the potential premium that would be paid related to, and the probability of, an event that would trigger its payment. In subsequent periods, the derivative liability was accounted for at fair value, with changes in fair value recognized as other income (expense) on the Company's consolidated statements of operations.

The following table provides quantitative information of liabilities measured at fair value and the significant unobservable inputs (Level 3), the range of the significant unobservable inputs, and the valuation techniques.

The preferred stock derivative liability was extinguished on March 11, 2024.

|                                             | Fair Value<br>As of<br>December 31,<br>2023<br>(In thousands) | Valuation<br>Technique | Unobservable<br>Inputs                    | Range<br>(Weighted Average) |
|---------------------------------------------|---------------------------------------------------------------|------------------------|-------------------------------------------|-----------------------------|
| <b>Preferred Stock Derivative Liability</b> | \$ 29,947                                                     | Discounted Cash Flow   | Change-in-control probability assumptions | Range: 0% to 100%           |
|                                             |                                                               |                        | Timing of change-in-control assumptions   | Range: 1 to 10 years        |
|                                             |                                                               |                        | Discount Rate                             | Range: 8% to 10%            |
|                                             |                                                               |                        | Market yield*                             | 6.3%*                       |

\* Represents the hypothetical market yield

The Company's cash and cash equivalents including restricted cash, accounts receivable, accounts payable, accrued expenses and short-term debt represent financial instruments. The carrying value of these financial instruments is a reasonable approximation of fair value due to the short-term nature of the instruments.

**Note 16—Commitments**

The Company has entered into various license agreements whereby the Company may use certain characters and intellectual properties in conjunction with its products. Generally, such license agreements provide for royalties to be paid ranging from 1% to 25% of net sales with minimum guarantees and advance payments. These license agreements are subject to audits by the licensor, which can result in additional payments due to the licensor.

In the event the Company estimates that a shortfall in achieving the minimum guarantee is probable, a liability is recorded for the estimated shortfall and charged to royalty expense.

Future annual minimum royalty guarantees as of December 31, 2024 are as follows (in thousands):

|      |    |               |
|------|----|---------------|
| 2025 | \$ | 53,682        |
| 2026 |    | 18,757        |
| 2027 |    | 2,170         |
|      | \$ | <u>74,609</u> |

Royalty expense for the years ended December 31, 2024, 2023 and 2022, was \$106.8 million, \$117.6 million and \$126.6 million, respectively.

The Company has entered into employment agreements with certain executives expiring through December 31, 2026. The aggregate future annual minimum guaranteed amounts due under those agreements as of December 31, 2024 are as follows (in thousands):

|      |                  |
|------|------------------|
| 2025 | 6,864            |
| 2026 | 4,406            |
| 2027 | —                |
|      | <u>\$ 11,270</u> |

#### **Note 17—Share-Based Payments**

Under the Company's 2002 Stock Award and Incentive Plan ("the Plan"), which incorporated its Third Amended and Restated 1995 Stock Option Plan, the Company has reserved shares of its common stock for issuance upon the exercise of options granted under the Plan, as well as for the awarding of other securities. Under the Plan, employees (including officers), non-employee directors and independent consultants may be granted options to purchase shares of common stock, restricted stock units and other securities (see Note 14 - Common Stock and Preferred Stock). The vesting of these share-based awards may vary, but typically vest over a requisite service period or are based on performance criteria, with a maximum vesting period of four years. Restricted shares typically vest in the same manner, with the exception of certain awards vesting over one year to three years. Share-based compensation expense is recognized on a straight-line basis over the requisite service period. Compensation expense for performance-awards is measured based on the amount of shares ultimately expected to vest, estimated at each reporting date based on management expectations regarding the relevant performance criteria. Unlike the restricted stock awards, the shares for the restricted stock units are not issued until vested. As of December 31, 2024, 1,793,551 shares were available for future grant. Additional shares may become available to the extent that options or shares of restricted stock presently outstanding under the Plan terminate, expire, or are forfeited.

##### *Restricted Stock Award*

Under the Plan, share-based compensation payments may include the issuance of shares of restricted stock. Restricted stock award grants are based upon employment contracts, which vary by individual and year, and are subject to vesting conditions.

As of December 31, 2024, 2023 and 2022 there was nil of total unrecognized compensation cost related to non-vested restricted stock awards.

### Restricted Stock Units

Under the Plan, share-based compensation payments may include the issuance of Restricted Stock Units (RSUs) to employees, which occurs approximately once per year and are subject to vesting conditions. RSUs are valued at the market price of the shares underlying the award on the date of grant.

The following table summarizes the RSU award activity, annually for the years ended December 31, 2024, 2023 and 2022:

|                          | 2024      |                                                 | 2023      |                                                 | 2022      |                                                 |
|--------------------------|-----------|-------------------------------------------------|-----------|-------------------------------------------------|-----------|-------------------------------------------------|
|                          | Number of | Weighted<br>Average<br>Grant Date<br>Fair Value | Number of | Weighted<br>Average<br>Grant Date<br>Fair Value | Number of | Weighted<br>Average<br>Grant Date<br>Fair Value |
|                          | Shares    |                                                 | Shares    |                                                 | Shares    |                                                 |
| Outstanding, January 1   | 1,306,406 | \$ 16.47                                        | 1,408,586 | \$ 12.82                                        | 1,073,902 | \$ 8.62                                         |
| Granted                  | 303,398   | 31.61                                           | 436,792   | 21.11                                           | 827,349   | 16.75                                           |
| Vested                   | (579,181) | 14.08                                           | (504,384) | 11.75                                           | (343,427) | 8.37                                            |
| Forfeited                | (22,223)  | 18.36                                           | (34,588)  | 16.70                                           | (149,238) | 14.70                                           |
| Converted from RSA       | —         | —                                               | —         | —                                               | —         | —                                               |
| Outstanding, December 31 | 1,008,400 | 22.51                                           | 1,306,406 | 16.47                                           | 1,408,586 | 12.82                                           |

As of December 31, 2024, there was \$15.0 million of total unrecognized compensation cost related to non-vested restricted stock units, which is expected to be recognized over a weighted-average period of 2.1 years.

### Share-Based Compensation Expense

The following table summarizes the total share-based compensation expense (in thousands) which is recognized in general and administrative expenses in the Consolidated Statement of Operations:

|                                  | Year Ended December 31, |          |          |
|----------------------------------|-------------------------|----------|----------|
|                                  | 2024                    | 2023     | 2022     |
| Share-based compensation expense | \$ 9,535                | \$ 8,027 | \$ 5,082 |

### Note 18—Employee Benefits Plan

The Company sponsored for its U.S. employees, a defined contribution plan under Section 401(k) of the Internal Revenue Code. The Plan provided that employees may defer up to 50% of their annual compensation subject to annual dollar limitations, and that the Company would make a matching contribution equal to 100% of each employee's deferral, up to 5% of the employee's annual compensation. Company-matching contributions, which vest immediately, totaled \$1.7 million, \$1.5 million and \$2.1 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Starting December 2023, the Company sponsored for certain of its U.S. based senior employees, a nonqualified deferred compensation plan which includes provisions for salary deferrals and discretionary contributions on a deferred tax basis. The Company funds its deferred compensation obligations through a rabbi trust which is subject to creditor claims in the event of insolvency, but such assets are not available for general corporate purposes. Assets held in the rabbi trust are invested in mutual funds, as selected by the participants, which are designated as trading securities and carried at fair value. As of December 31, 2024 the Company has not made any discretionary matching contributions to the plan. Employees direct the investment of their account balances, and the Company invests amounts held in the associated investment trust consistent with these directions. The value of the assets held in trust by the nonqualified plan was \$1.7 million and \$41.1 thousand as of December 31, 2024 and 2023, respectively. The deferred compensation investments and obligations are included in prepaid expenses and other assets, and accrued expenses - long term in the consolidated balance sheets. For the years ended December 31, 2024 and 2023, changes in the fair value of securities held in the rabbi trust and offsetting increases or decreases in the deferred compensation obligation totaled \$0.2 million and nil, respectively, and are recognized in other general and administrative expenses in the Company's Consolidated Statements of Operations and Comprehensive Income

The Company has statutory benefit plans outside the U.S., which are not material.

**Note 19—Litigation and Contingencies**

The Company is a party to, and certain of its property is the subject of, various pending claims and legal proceedings that routinely arise in the ordinary course of its business. The Company accrues for losses when the loss is deemed probable and the liability can reasonably be estimated. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, the Company records the minimum estimated liability related to the claim. As additional information becomes available, the Company assesses the potential liability related to its pending litigation and revises its estimates.

In the normal course of business, the Company may provide certain indemnifications and/or other commitments of varying scope to a) its licensors, customers and certain other parties, including against third-party claims of intellectual property infringement, and b) its officers, directors and employees, including against third-party claims regarding the periods in which they serve in such capacities with the Company. The duration and amount of such obligations is, in certain cases, indefinite. The Company's director's and officer's liability insurance policy may, however, enable it to recover a portion of any future payments related to its officer, director or employee indemnifications. For the past five years, costs related to director and officer indemnifications have not been significant. Other than certain liabilities recorded in the normal course of business related to royalty payments due to the Company's licensors, no liabilities have been recorded for indemnifications and/or other commitments.

**Note 20—Subsequent Events**

On February 18, 2025, the Company's Board of Directors declared a quarterly cash dividend of \$0.25 per common share. The dividend will be payable on March 31, 2025 to shareholders of record at the close of business on March 3, 2025.

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

None.

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.*

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report, have concluded that as of December 31, 2024, our disclosure controls and procedures were adequate and effective to ensure that information required to be disclosed by us in the reports we file or submit with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

*Changes in Internal Control over Financial Reporting.*

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) and 15d-15(e) that occurred during the fourth quarter period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Management's Annual Report on Internal Control over Financial Reporting.*

We, as management, are responsible for establishing and maintaining adequate "internal control over financial reporting" (as defined in Exchange Act Rule 13a-15(f)). Our internal control system was designed by or is under the supervision of management and our board of directors to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*. We believe that, as of December 31, 2024, our internal control over financial reporting was effective based upon those criteria.

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
JAKKS Pacific, Inc.  
Santa Monica, California

### Opinion on Internal Control over Financial Reporting

We have audited JAKKS Pacific, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated March 6, 2025, expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting 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 the 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 the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its 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.

/s/ BDO USA, P.C.

Los Angeles, California

March 6, 2025



**Item 9B. Other Information**

**Rule 10b5-1 Trading Plans**

During our last fiscal quarter, the following officer, as defined in Rule 16a-1(f), adopted a “Rule 10b5-1 trading arrangement” as defined in Regulation S-K Item 408, as follows:

On November 13, 2024, Stephen Berman, our Chief Executive Officer, for tax planning purposes, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) with respect to the sale of up to 115,000 shares of our common stock from time to time, in accordance with the terms specified in the trading arrangement. The term of Mr. Berman’s Rule 10b5-1 trading arrangement expires on December 31, 2025. The first date that any transactions under Mr. Berman’s Rule 10b5-1 trading arrangement can occur is May 5, 2025.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

#### Directors and Executive Officers

Our directors and executive officers are as follows:

| Name               | Age | Positions with the Company                                                   |
|--------------------|-----|------------------------------------------------------------------------------|
| Stephen G. Berman  | 60  | Chairman, Chief Executive Officer, President, Secretary and Class I Director |
| John L. Kimble     | 55  | Executive Vice President and Chief Financial Officer                         |
| Neilwantie Mahabir | 60  | Class I Director                                                             |
| Alexander Shoghi   | 43  | Class II Director                                                            |
| Joshua Cascade     | 52  | Class II Director                                                            |
| Carole Levine      | 67  | Class II Director                                                            |
| Matthew Winkler    | 43  | Class III Director                                                           |
| Lori MacPherson    | 57  | Class III Director                                                           |

*Stephen G. Berman* has been our Chief Operating Officer (until August 23, 2011) and Secretary and one of our directors since co-founding JAKKS in January 1995. From February 17, 2009 through March 31, 2010 he was also our Co-Chief Executive Officer and has been our Chief Executive Officer since April 1, 2010. Since January 1, 1999, he has also served as our President, and since October 23, 2015 he has also served as our Chairman. From the Company's inception until December 31, 1998, Mr. Berman was also our Executive Vice President. From October 1991 to August 1995, Mr. Berman was a Vice President and Managing Director of THQ International, Inc., a subsidiary of THQ. From 1988 to 1991, he was President and an owner of Balanced Approach, Inc., a distributor of personal fitness products and services.

*Neilwantie Mahabir*, has been a Director since December 6, 2024. Ms. Mahabir is Chief Executive Officer of LaRose Industries LLC, which manufactures toy, activity, art and stationery products including under the brands RoseArt and Cra-Z-Art. From 2006 until 2008 she was Chief Operating Officer of Barton's Confectionary, which manufactured chocolate products. Ms. Mahabir joined RoseArt Industries, Corp, a toy and stationery company, in 1988 as a customer service manager, then became head of sales and marketing, and was appointed executive vice president of RoseArt Industries in 2000. She served in that capacity until RoseArt Industries' sale in 2005 and joined LaRose Industries on its formation in 2008. She graduated from the New Amsterdam Multilateral School in Guyana, South America and received a Bachelor of Business Administration from the American Business Institute.

*Alexander Shoghi* has been a Director since December 18, 2015. Mr. Shoghi is a Portfolio Manager at Oasis Management, a private investment management firm headquartered in Hong Kong. Mr. Shoghi joined Oasis in 2005, first based in Hong Kong, and subsequently relocating to the U.S. as the founder and manager of Oasis Capital in Austin, Texas in early 2012. From 2004 to 2005, Mr. Shoghi worked at Lehman Brothers in New York City. Mr. Shoghi holds a Bachelor of Science of Business Administration in Finance and International Business degree from Georgetown University.

*Joshua Cascade* has been a Director since August 9, 2019. Mr. Cascade is a private equity investor with over two decades of private equity experience. From 2014 to 2018 he was a Managing Partner at Wellspring Capital Management, an American private equity firm focused on leveraged buyout investments in middle-market companies, where he previously served as a Partner from 2007 to 2014 and a Principal from 2002 to 2006. As a Managing Partner, he was one of five individuals responsible for firm management. From 1998 to 2002, he was an associate at Odyssey Investment Partners. From 1994 to 1998 he was an Analyst (1994-1996) and an Associate (1996-1998) at The Blackstone Group. Mr. Cascade also teaches a course on leveraged buyouts at Yale School of Management and University of Michigan, Ross School of Business and is a frequent MBA lecturer at numerous institutions. Mr. Cascade graduated with highest distinction from the University of Michigan, Ann Arbor, with a Bachelor of Arts degree in Business Administration.

*Carole Levine* has been a Director since September 27, 2019. Ms. Levine is currently a Consumer Products Marketing & Sales Consultant, where she works with clients in a range of industries, including toy manufacturing, entertainment, and food and beverage. From 1994 to 2017, she held a number of positions at Mattel, Inc., an American multinational toy manufacturing company, including Vice President, Sales, Mattel & Fisher-Price Emerging Channels (from 2005 to 2012), Vice President, Global Marketing (from 2012 to 2015), Vice President, Interim General Manager, RoseArt (from 2015 to 2017) and Vice President, Retail Business Development - Mattel Consumer Products (from 2015 to 2017). She has also been the Co-Chairman of the Children Affected by AIDS Foundation, Los Angeles for over 10 years and a member of the Licensing Industry Marketing Association. She holds a Bachelor of Arts degree in Sociology from the University of Colorado, Boulder and participated in the Accelerated Executive Marketing Program at Northwestern University's Kellogg School of Business.

*Matthew Winkler* has been a Director since August 9, 2019. Mr. Winkler is currently a Managing Director at Benefit Street Partners (“BSP”), a leading credit-focused alternative asset management firm. Mr. Winkler joined Benefit Street Partners in July 2014. Prior thereto, from November 2009 to March 2014, he worked in the Special Assets Group at Goldman Sachs. From July 2003 to November 2009, Mr. Winkler held analyst positions at different firms, focusing on areas such as special situations, distressed debt, and mergers and acquisitions. He holds a Bachelor of Arts in Public and Private Sector Organization from Brown University.

*Lori MacPherson* has been a Director since September 27, 2021. Ms. MacPherson was an entertainment and consumer products executive with over two decades of experience at the Walt Disney Company, a multinational media and entertainment conglomerate. From 2010-2014 she served as Executive Vice President, Global Product Management for The Walt Disney Studios. Prior thereto she was Executive Vice President and General Manager of the global Walt Disney Studios Home Entertainment division (2009-2010), Senior Vice President and General Manager of Walt Disney Studios Home Entertainment North America (2006-2009) and held a variety of senior Marketing and Product Management positions (1991-2006). Ms. MacPherson currently sits of the Board of Trustees at Polytechnic School in Pasadena, California. She holds a Bachelor of Arts degree in French Literature from Pomona College.

### **Classification of Directors**

In November 2019, our stockholders approved the Company’s Amended and Restated Certificate of Incorporation, which divided the Board of Directors into three classes, as nearly equal in number as possible with one class standing for election each year for a three-year term. At our 2020 Annual Meeting we elected directors pursuant to a class system, directors in Class I were elected to a one-year term and directors in Class II were elected to a two-year term. The directors in Class III were initially designated and identified in the Certificate of Designations with their initial terms expiring at the annual meeting of our stockholders to be held in 2023, and thereafter the directors in Class III were to be elected to a three-year term solely by the holders of our Series A Senior Preferred Stock and the common stockholders had no right to vote with respect to the election of such Class III directors. However, pursuant to the terms of an agreement entered into as of August 3, 2022 between us and the holders of our Series A Preferred Stock, special rights granted to the preferred holders with respect to the election and/or nomination of certain directors have been terminated and the election of all of our directors are now voted on solely by our common stockholders. At each Annual Meeting of Stockholders following the 2020 Annual Meeting the successors of the class of directors whose term expires shall be elected to hold office for a term expiring at the Annual Meeting of Stockholders to be held in the third year following the year of their election, with each director in each such class to hold office until his or her successor is duly elected and qualified.

Mr. Berman and Ms. Mahabir are Class I Directors; Messrs. Shoghi and Cascade, and Ms. Levine are Class II Directors; and Mr. Winkler and Ms. MacPherson are Class III Directors.

### **Qualifications for All Directors**

In considering potential candidates for election to the Board, the Nominating Committee observes the following guidelines, among other considerations: (i) the Board must include a majority of independent directors; (ii) each candidate shall be selected without regard to age, sex, race, religion or national origin; (iii) each candidate should have the highest level of personal and professional ethics and integrity and have the ability to work well with others; (iv) each candidate should only be involved in activities or interests that do not conflict or interfere with the proper performance of the responsibilities of a director; (v) each candidate should possess substantial and significant experience that would be of particular importance to the Company in the performance of the duties of a director; and (vi) each candidate should have sufficient time available, and a willingness to devote the necessary time, to the affairs of the Company in order to carry out the responsibilities of a director, including, without limitation, consistent attendance at board and committee meetings and advance review of board and committee materials. The Chief Executive Officer will then interview such candidate. The Nominating Committee then determines whether to recommend to the Board that a candidate be nominated for approval by the Company’s stockholders. The manner in which the Nominating Committee evaluates a potential candidate does not differ based on whether the candidate is recommended by a stockholder of the Company. With respect to nominating existing directors, the Nominating Committee reviews relevant information available to it, including the most recent individual director evaluations for such candidates, the number of meetings attended, his or her level of participation, biographical information, professional qualifications and overall contributions to the Company.

The Board does not have a specific diversity policy, but considers diversity of race, ethnicity, gender, age, cultural background and professional experiences in evaluating candidates for board membership. However, California law required that by the end of 2021 California-headquartered public companies with a board of directors the size of the Company have at least three female directors on its board and at least one director on its board who is from an underrepresented community, defined as “an individual who self identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native, or who self identifies as gay, lesbian, bisexual, or transgender.” In the event the size of the Company’s board remains the same, the law mandates that by the end of calendar 2022 the number of directors from underrepresented communities on the Company’s board be increased to have at least two directors from underrepresented communities. Nasdaq has also adopted board diversity requirements, but the Company believes that by complying with the California diversity requirements it will be in compliance with the Nasdaq requirements. The California diversity requirements have been found unconstitutional and are not currently applicable. The Company’s board is currently in compliance with all applicable diversity requirements.

The Board has identified the following qualifications, attributes, experience and skills that are important to be represented on the Board as a whole: (i) management, leadership and strategic vision; (ii) financial expertise; (iii) marketing and consumer experience; and (iv) capital management.

The Board has determined that six of seven directors who serve on the Board as of the date hereof (Messrs. Cascade, Shoghi and Winkler and Ms. Levine, Ms. MacPherson and Ms. Mahabir) are “independent,” as defined under the applicable rules of Nasdaq. In making this determination, the Board or the Nominating Committee, as applicable, considered the standards of independence under the applicable rules of Nasdaq and all relevant facts and circumstances (including, without limitation, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships) to ascertain whether any such person had a relationship that, in its opinion, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our directors serve in accordance with the Third Amended and Restated By-laws until their respective successors are elected and qualified or until their earlier death, disability, retirement, resignation or removal. Our officers are elected annually by the Board and serve at its discretion. All of our current independent directors, other than Ms. MacPherson and Ms. Mahabir, have served as such for more than the past five years. Our current independent directors were selected for their financial management expertise (Messrs. Cascade, Shoghi and Winkler) and general business and industry specific experience (Ms. Levine, Ms. MacPherson and Ms. Mahabir). We believe that the Board is best served by benefiting from this blend of business and financial expertise and experience. Our remaining directors consist of our Chief Executive Officer (Mr. Berman), who contributes his general business and industry specific experience to the Board.

## Committees of the Board of Directors

We have an Audit Committee, a Compensation Committee and a Nominating Committee. In August 2019 the Capital Allocation Committee, which was established as a standing committee in February 2016, was dissolved. In the first quarter of 2024 we formed a Cybersecurity Oversight Committee.

*Audit Committee.* In addition to risk management functions, the primary functions of the Audit Committee are to select or to recommend to the Board the selection of outside auditors; to monitor our relationships with our outside auditors and their interaction with our management in order to ensure their independence and objectivity; to review and assess the scope and quality of our outside auditor's services, including the audit of our annual financial statements; to review our financial management and accounting procedures; to review our financial statements with our management and outside auditors; and to review the adequacy of our system of internal accounting controls. Effective as of their respective dates of appointment to the Board, Messrs. Shoghi (Chair) and Winkler and Ms. Mahabir are the members of the Audit Committee. Each member of the Audit Committee is "independent" (as defined in NASD Rule 4200(a)(14)) and able to read and understand fundamental financial statements. Mr. Shoghi, our audit committee financial expert, possesses the financial expertise required under Rule 401(h) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act"), and NASD Rule 4350(d)(2) as a result of his experience as a portfolio manager at Oasis Management. He is further "independent" as defined under Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act. We will, in the future, continue to have (i) an Audit Committee of at least three members comprised solely of independent directors, each of whom will be able to read and understand fundamental financial statements (or will become able to do so within a reasonable period of time after his or her appointment); and (ii) at least one member of the Audit Committee who will possess the financial expertise required under NASD Rule 4350(d)(2). The Board has adopted a written charter for the Audit Committee, which reviews and reassesses the adequacy of that charter on an annual basis. The full text of the charter is available on our website at [www.jakks.com](http://www.jakks.com).

*Compensation Committee.* In addition to risk oversight functions, the Compensation Committee makes recommendations to the Board regarding compensation of management employees and administers plans and programs relating to employee benefits, incentives, compensation and awards under the 2002 Stock Award and Incentive Plan (the "2002 Plan"). Messrs. Shoghi (Chair) and Winkler are the members of the Compensation Committee. The Board has determined that each of them is "independent," as defined under the applicable rules of Nasdaq. A copy of the Compensation Committee's Charter is available on our website at [www.jakks.com](http://www.jakks.com). Executive officers that are members of the Board make recommendations to the Compensation Committee with respect to the compensation of other executive officers who are not on the Board. Except as otherwise prohibited, the Compensation Committee may delegate its responsibilities to subcommittees or individuals. The Compensation Committee has the authority, in its sole discretion, to retain or obtain advice from a compensation consultant, legal counsel or other advisor and is directly responsible for the appointment, compensation and oversight of such persons. The Company provides the appropriate funding to such persons as determined by the Compensation Committee, which also conducts an independent assessment of its outside advisors using the six factors contained in Exchange Act Rule 10C-1. The Compensation Committee receives legal advice from our outside general counsel and retained Willis Towers Watson and Lipis Consulting, Inc, compensation consulting firms, to directly advise the Compensation Committee from time to time. Frederic W. Cook & Co., a compensation consulting firm, was consulted during 2023 and 2024.

The Compensation Committee also annually reviews the overall compensation of our executive officers to determine whether discretionary bonuses should be granted. In 2024, Frederic W. Cook & Co. presented a report to the Compensation Committee comparing our performance, size and executive compensation levels to those of peer group companies. Frederic W. Cook & Co. also reviewed with the Compensation Committee the non-employee director compensation program and benchmarking. The performance comparison presented to the Compensation Committee each year includes a comparison of our total shareholder return, earnings per share growth, sales, net income (and one-year growth of both measures) to the peer group companies. The Compensation Committee reviews this information along with details about the components of each executive officer's compensation.

*Nominating Committee.* In addition to risk oversight functions, the Nominating Committee develops our corporate governance system and reviews proposed new members of the Board, including those recommended by our stockholders. Ms. Mahabir (Chair), Mr. Shoghi and Ms. MacPherson are the members of the Nominating Committee, which operates pursuant to a written charter adopted by the Board, the full text of which is available on our website at [www.jakks.com](http://www.jakks.com). The Board has determined that each member of the Nominating Committee is "independent," as defined under the applicable rules of Nasdaq.

The Nominating Committee will annually review the composition of the Board and the ability of its current members to continue effectively as directors for the upcoming fiscal year. The Nominating Committee established the position of Chairman of the Board in 2015. In the ordinary course, absent special circumstances or a change in the criteria for Board membership, the Nominating Committee will re-nominate incumbent directors who continue to be qualified for Board service and are willing to continue as directors. If the Nominating Committee thinks it is in the Company's best interests to nominate a new individual for director in connection with an annual meeting of stockholders, or if a vacancy on the Board occurs between annual stockholder meetings or an incumbent director chooses not to run, the Nominating Committee will seek out potential candidates for Board appointment who meet the criteria for selection as a nominee and have the specific qualities or skills being sought. Director candidates will be selected based on input from members of the Board, our senior management and, if the Nominating Committee deems appropriate, a third-party search firm. The Nominating Committee will evaluate each candidate's qualifications and check relevant references, and each candidate will be interviewed by at least one member of the Nominating Committee. Candidates meriting serious consideration will meet with members of the Board. Based on this input, the Nominating Committee will evaluate whether a prospective candidate is qualified to serve as a director and whether the Nominating Committee should recommend to the Board that this candidate be appointed to fill a current vacancy on the Board, or be presented for the approval of the stockholders, as appropriate. Upon being informed of Mr. Zhao's intention to not stand for reelection at the 2024 Annual Meeting, the Nominating Committee recommended that Ms. Neilwantie Mahabir be selected as a nominee for director.

Stockholder recommendations for director nominees are welcome and should be sent to our Chief Financial Officer, who will forward such recommendations to the Nominating Committee, and should include the following information: (a) all information relating to each nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the names and addresses of the stockholders making the nomination and the number of shares of Common Stock which are owned beneficially and of record by such stockholders; and (c) appropriate biographical information and a statement as to the qualification of each nominee, all of which must be submitted in the time frame described under the appropriate caption in our proxy statement. The Nominating Committee will evaluate candidates recommended by stockholders in the same manner as candidates recommended by other sources, using additional criteria, if any, approved by the Board from time to time. Our stockholder communication policy may be amended at any time with the Nominating Committee's consent.

Pursuant to the Director Resignation Policy adopted by the Board following our 2014 Annual Meeting of Stockholders, if a nominee for director in an uncontested election receives less than a majority of the votes cast, the director must submit his resignation to the Board. The Nominating Committee then considers such resignation and makes a recommendation to the Board concerning the acceptance or rejection of such resignation. This procedure was implemented following our 2016 Annual Meeting of Stockholders.

*Cybersecurity Oversight Committee.* The Cybersecurity Oversight Committee is responsible for oversight of our risk assessment, risk management, disaster recovery procedures and cybersecurity risks and the processes and procedures related to, and stemming from, cyber-related issues. It is anticipated that the Committee will meet with management and outside cybersecurity experts to discuss cybersecurity-related news events and discuss any updates to our cybersecurity risk management and strategy programs. Ms. Levine (Chair) and Ms. MacPherson are the members of the Committee. The Board has determined that each of them is "independent," as defined under the applicable rules of Nasdaq.

*Special Committees.* In addition to the above-described standing committees, the Board establishes special committees as it deems warranted.

## **Executive Officers**

Our executive officers are elected by our Board of Directors and serve pursuant to the terms of their respective employment agreements. One of our executive officers, Stephen G. Berman, is also a Director of the Company. See above for biographical information about this officer. The other current executive officer is John L. Kimble, our Executive Vice President and Chief Financial Officer.

John L. Kimble became our Executive Vice President and Chief Financial Officer on November 20, 2019. Mr. Kimble worked for over 12 years at various positions at The Walt Disney Company, ultimately as VP/Finance, Strategy, Operations and Business Development. More recently, Mr. Kimble spent six years at Mattel, Inc. where he served in various positions and concluded his career there as VP/Head of Corporate Development - Licensing Acquisitions - M&A. In between his service at Disney and Mattel, he spent two years as an entrepreneur at a start-up gaming company. He began his career as a consultant for Mars & Co., a global strategy consulting firm. Mr. Kimble received his Bachelor's Degree in Management Science, Concentration in Finance, Minor in Economics from the Sloan School, Massachusetts Institute of Technology (M.I.T.) and has a Master of Business Administration (MBA) from the Wharton School of the University of Pennsylvania.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon a review of Forms 3, 4 and 5 and amendments thereto furnished to us during and for 2024, all Forms 3, 4 and 5 required to be filed during 2024 by our directors and executive officers were timely filed.

## **Stockholder Communications**

Stockholders interested in communicating with the Board may do so by writing to any or all directors, care of our Chief Financial Officer, at our principal executive offices. Our Chief Financial Officer will log in all stockholder correspondence and forward to the director addressee(s) all communications that, in his judgment, are appropriate for consideration by the directors. Any director may review the correspondence log and request copies of any correspondence. Examples of communications that would be considered inappropriate for consideration by the directors include, but are not limited to, commercial solicitations, trivial, obscene, or profane items, administrative matters, ordinary business matters, or personal grievances. Correspondence that is not appropriate for Board review will be handled by our Chief Financial Officer. All appropriate matters pertaining to accounting or internal controls will be brought promptly to the attention of our Audit Committee Chair.

Stockholder recommendations for director nominees are welcome and should be sent to our Chief Financial Officer, who will forward such recommendations to the Nominating Committee, and should include the following information: (a) all information relating to each nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the names and addresses of the stockholders making the nomination and the number of shares of Common Stock which are owned beneficially and of record by such stockholders; and (c) appropriate biographical information and a statement as to the qualification of each nominee, and must be submitted in the time frame described under the caption, "Stockholder Proposals for 2025 Annual Meeting," in our Proxy Statement for the 2024 Annual Meeting. The Nominating Committee will evaluate candidates recommended by stockholders in the same manner as candidates recommended by other sources, using additional criteria, if any, approved by the Board from time to time. Our stockholder communication policy may be amended at any time with the consent of the Nominating Committee.

## **Code of Ethics**

We have a Code of Ethics (which we call a Code of Conduct) that applies to all our employees, officers and directors. This Code was filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2003. During 2023 the Code was updated and we have posted on our website, [www.jakks.com](http://www.jakks.com), the full text of such updated Code. We will disclose when there have been waivers of, or amendments to, such Code, as required by the rules and regulations promulgated by the SEC and/or Nasdaq.

Pursuant to our Code of Conduct, all of our employees are required to disclose to our General Counsel, the Board or any committee established by the Board to receive such information, any material transaction or relationship that reasonably could be expected to give rise to actual or apparent conflicts of interest between any of them, personally, and the Company. Our Code of Conduct also directs all employees to avoid any self-interested transactions without full disclosure. This policy, which applies to all of our employees, is reiterated in our Employee Handbook which states that a violation of this policy could be grounds for termination. In approving or rejecting a proposed transaction, our General Counsel, the Board or a designated committee of the Board will consider the facts and circumstances available and deemed relevant, including, but not limited to, the risks, costs and benefits to us, the terms of the transactions, the availability of other sources for comparable services or products, and, if applicable, the impact on director independence. Upon concluding their review, they will only approve those agreements that, in light of known circumstances, are in or are not inconsistent with, our best interests, as they determine in good faith.



## **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee during the last fiscal year was or previously had been an executive officer or employee of ours or was party to any related person transaction within the meaning of Item 404 of Regulation S-K under the Securities Act. None of our executive officers has served as a director or member of a compensation committee (or other board committee performing equivalent functions) of any other entity, one of whose executive officers served as a director or a member of the Compensation Committee.

## **Insider Trading Policy**

The Company has adopted a Securities Trading and Insider Information Policy which governs the purchase, sale, and/or other dispositions of the Company's securities by directors, officers and employees, that are reasonably designed to promote compliance with insider trading laws. In addition, the Policy also prohibits executive officers and members of the Company's Board of Directors and their family members from buying or selling market options or other exchange-traded derivative securities related to the Company and from engaging in short sales of securities of the Company. A copy of the policy is filed as an exhibit to this annual report.

## **Item 11. Executive Compensation**

We believe that a strong management team comprised of highly talented individuals in key positions is critical to our ability to deliver sustained growth and profitability, and our executive compensation program is an important tool for attracting and retaining such individuals. We also believe that our people are our most important resource. While some companies may enjoy an exclusive or limited franchise or are able to exploit unique assets or proprietary technology, we depend fundamentally on the skills, relationships, energy and dedication of our employees to drive our business. It is only through their constant efforts that we are able to innovate through the creation of new products and the continual rejuvenation of our product lines, to maintain operating efficiencies, and to develop and exploit marketing channels. With this in mind, we have consistently sought to employ the most talented, accomplished and energetic people available in the industry. Therefore, we believe it is vital that our named executive officers receive an aggregate compensation package that is both highly competitive with the compensation received by similarly-situated executive officers, and also reflective of each individual named executive officer's contributions to our success on both a long-term and short-term basis. As discussed in greater depth below, the objectives of our compensation program are designed to execute this philosophy by compensating our executives at the top quartile of their peers.

Our executive compensation program is designed with three main objectives:

- to offer a competitive total compensation opportunity that will allow us to continue to retain and motivate highly talented individuals to fill key positions;
- to align a significant portion of each executive's total compensation with our annual performance and the interests of our stockholders; and
- reflect the qualifications, skills, experience and responsibilities of our executives.

Our executive compensation program is administered by the Compensation Committee. The Compensation Committee receives legal advice from our outside general counsel and in previous years has retained a compensation consulting firm, such as Willis Towers Watson, Frederic W. Cook & Co. and Lipis Consulting, Inc., which provides advice directly to the Compensation Committee. Historically, the base salary, bonus structure and long-term equity compensation of our executive officers are governed by the terms of their individual employment agreements (see "Employment Agreements and Termination of Employment Arrangements") and we expect that to continue in the future. With respect to our executive officers, the Compensation Committee establishes target performance levels for incentive bonuses based on factors that are designed to further our executive compensation objectives.



Historically, factors given considerable weight in establishing bonus performance criteria are Net Sales, Adjusted EPS, which is the net income per share of our common stock calculated on a fully-diluted basis in accordance with GAAP, and Adjusted EBITDA applied on a basis consistent with past periods, as adjusted in the sole discretion of the Compensation Committee to take account of extraordinary or special items. However, since at least 2019, bonus performance has been based exclusively upon adjusted EBITDA. In 2025 an additional performance bonus was established based solely upon the market performance of our common stock.

In 2021, the Company amended the employment agreements between the Company and each of Mr. Stephen G. Berman, our Chief Executive Officer, Mr. John (a/k/a Jack) McGrath, our then Chief Operating Officer, and Mr. John Kimble, our Chief Financial Officer. The purpose of the amendments was to change the issuance, past and future, of all restricted stock awards to restricted stock units. All other material terms of the respective employment agreements remained the same, including without limitation, the terms of all such grants including the timing of all vesting periods and the vesting benchmarks.

The current employment agreements with our named executive officers also give the Compensation Committee the authority to award additional compensation to each of them as it determines in the Committee's sole discretion based upon criteria it establishes.

The Compensation Committee also annually reviews the overall compensation of our named executive officers for the purpose of determining whether discretionary bonuses should be granted. The Compensation Committee annually reviews the base salaries, annual bonuses, total cash compensation, long-term compensation and total compensation of our senior executive officers.

Our executive officers receive base salary pursuant to the terms of their employment agreements. Mr. Berman has been an executive officer at least since his entry into his employment agreement in 2010, Mr. McGrath became an executive officer on August 23, 2011 pursuant to the terms of an amendment to his employment agreement, and Mr. Kimble became an executive officer when he entered into a letter employment agreement on November 20, 2019. Mr. McGrath ceased being an executive officer effective January 1, 2024 when he assumed the position of President European Operations in our United Kingdom office.

The Compensation Committee also annually reviews the overall compensation of our named executive officers for the purpose of determining whether discretionary bonuses should be granted. The Compensation Committee consulted with a compensation consultant in 2023 and 2024.

The compensation packages for the Company's senior executives have both performance-based and non-performance-based elements. Based on its review of each named executive officer's total compensation opportunities and performance, and the Company's performance, the Compensation Committee determines each year's compensation in the manner that it considers to be most likely to achieve the objectives of our executive compensation program. The specific elements, which include base salary, annual cash incentive compensation and long-term equity compensation, are described below.

The Compensation Committee has negative discretion to adjust performance results used to determine annual incentive and the vesting schedule of long-term incentive payouts to the named executive officers and has discretion to grant bonuses even if the performance targets were not met.

Pursuant to the terms of the employment agreement for Messrs. Berman and Kimble in effect as of January 1, 2024, they each receive a base salary which is increased automatically each year by at least \$25,000 and 4%, respectively. Any further increase in base salary above the contractually required minimum increase is determined by the Compensation Committee based on the Compensation Committee's analysis of a combination of two factors: the salaries paid in peer group companies to executives with similar responsibilities, and evaluation of the executive's unique role, job performance and other circumstances. Evaluating both of these factors allows us to offer a competitive total compensation value to each individual named executive officer that takes into account the unique attributes of and circumstances relating to each individual and marketplace factors. This approach has allowed us to continue to meet our objective of offering competitive total compensation value and attracting and retaining key personnel. Based on its review of these factors, the Compensation Committee has generally determined not to increase the base salary of Messrs. Berman and Kimble above the contractually required minimum increase as unnecessary to maintain our competitive total compensation position in the marketplace.

The function of the annual cash bonus is to establish a direct correlation between the annual incentives awarded to the participants and our financial performance. This purpose is in keeping with our compensation program's objective of aligning a significant portion of each executive's total compensation with our annual performance and the interests of our shareholders. The employment agreements for Messrs. Berman, McGrath and Kimble contemplated that the Compensation Committee may grant discretionary bonuses in situations where, in its sole judgment, it believes they are warranted. No discretionary bonuses were awarded for 2022, 2023 and 2024 to any executive officer.

Long-term compensation is an area of particular emphasis in our executive compensation program because we believe that these incentives foster the long-term perspective necessary for our continued success. This emphasis is in keeping with our compensation program objective of aligning a significant portion of each executive's total compensation with our long-term performance and the interests of our shareholders.

Historically, our long-term compensation program focused on the granting of stock options that vested over time. However, commencing in 2006 we began shifting the emphasis of this element of compensation, and we currently favor the issuance of restricted stock units. The Compensation Committee believes that the award of full-value shares that vest over time is consistent with our overall compensation philosophy and objectives, as the value of the restricted stock units vary based upon the performance of our common stock, thereby aligning the interests of our executives with our shareholders. The Compensation Committee has also determined that awards of restricted stock units are anti-dilutive as compared to stock options inasmuch as it feels that less restricted units have to be granted to match the compensation value of stock options.

Mr. Berman's 2010 amended and restated employment provided for annual grants of \$500,000 of restricted stock which vest in equal annual installments through January 1, 2017, which was one year following the life of the agreement, subject to meeting the 3% vesting condition, as defined in the agreement. As described in greater detail below, pursuant to the 2012 amendment, commencing in 2013, this bonus changed to \$3,500,000 of restricted stock, part of which vests over four years and part of which are subject to performance milestones with cliff vesting spread out over three years. Mr. Kimble's employment agreement provided for a grant of \$250,000 of restricted stock units ("RSUs") for the initial year and annual grants of \$500,000 of RSUs thereafter subject in part to time vesting over three years and in part to performance milestones with cliff vesting spread over three years. The milestone targets for each of these employment agreements are established by the Compensation Committee during the first quarter of each year. The employment agreements for Messrs. Berman and Kimble also provide for an annual performance bonus based upon net revenue and EBITDA criteria. This bonus, if earned, is payable partially in cash and partially in shares of restricted common stock. Messrs. Berman and Kimble, earned 100% of the bonus based on Total Shareholders Return, EBITDA, and 50% of the bonus based on Net Revenue in 2022. In 2023 Messrs. Berman and Kimble, earned 100% of the cash-payable bonus based on Total Shareholders Return, EBITDA, and 50% of the bonus based on Net Revenue in 2023. In 2023 only Mr. Kimble had unvested performance-based RSUs outstanding and earned 100% of the bonus based on Total Shareholders Return. In 2024 Messrs. Berman and Kimble earned 100% of the cash-payable bonus based on EBITDA, and Messr. Kimble earned 100% and 50% of the remaining performance-based RSUs outstanding, based on EBITDA and Net Revenue, respectively.

Mr. Berman's and Kimble's employment agreements also provide for an additional bonus solely in the discretion of the Compensation Committee. After a review of all of the factors discussed above, the Compensation Committee determined that, in keeping with our compensation objectives, Messrs. Berman and Kimble were not awarded any discretionary cash bonuses for 2022, 2023 or 2024.

Our executive officers participate in the health and dental coverage, life insurance, paid vacation and holidays, 401(k) retirement savings plans and other programs that are generally available to all the Company's employees.

The provision of any additional perquisites to each of the named executive officers is subject to review by the Compensation Committee. Historically, these perquisites include payment of an automobile allowance and matching contributions to a 401(k) defined contribution plan. In 2022, 2023 and 2024, the named executive officers were granted the following perquisites: automobile allowance and 401(k) plan matching contribution for Messrs. Berman and Kimble; and a life insurance benefit for Mr. Berman. We value perquisites at their incremental cost in accordance with SEC regulations.

We believe that the benefits and perquisites we provide to our named executive officers are within competitive practice and customary for executives in key positions at comparable companies. Such benefits and perquisites serve our objective of offering competitive compensation that allows us to continue to attract, retain and motivate highly talented people to these critical positions, ultimately providing a substantial benefit to our shareholders.

We recognize that, as with any public company, it is possible that a change of control may take place in the future and that the threat or occurrence of a change of control can result in significant distractions of key management personnel because of the uncertainties inherent in such a situation. We further believe that it is essential and in the best interests of the Company and our shareholders to retain the services of our key management personnel in the event of the threat or occurrence of a change of control and to ensure their continued dedication and efforts in such event without undue concern for their personal financial and employment security. In keeping with this belief and its objective of retaining and motivating highly talented individuals to fill key positions, which is consistent with our general compensation philosophy, the employment agreement for named chief executive officers contain provisions which guarantee specific payments and benefits upon a termination of employment without good reason following a change of control of the Company. In addition, the employment agreements also contain provisions providing for certain lump-sum payments if the executive is terminated without "cause" or if we materially breach the agreement leading the affected executive to terminate the agreement for good reason, as applicable.

#### Compensation Risk Management

As part of its annual review of our executive compensation program, the Compensation Committee reviews with management the design and operation of our incentive compensation arrangements for senior management, including executive officers, to determine if such programs might encourage inappropriate risk-taking that could have a material adverse effect on the Company. The Compensation Committee considers, among other things, the features of the Company's compensation program that are designed to mitigate compensation-related risk, such as the performance objectives and target levels for incentive awards (which are based on overall Company performance), and its compensation recoupment policy. The Compensation Committee also considers our internal control structure which, among other things, limits the number of persons authorized to execute material agreements, requires approval of our Board of Directors for matters outside of the ordinary course and its whistle blower program. Based upon the above, the Compensation Committee concluded that any risks arising from the Company's compensation plans, policies and practices are not reasonably likely to have a material adverse effect on the Company.

Additional details of the terms of the change of control agreements and termination provisions outlined above are provided below.

At our 2024 annual meeting, our shareholders approved our current executive compensation with over a majority of all shares actually voting on the issue affirmatively giving their approval. Accordingly, we believe that this vote ratifies our executive compensation philosophy and policies, as currently adopted and implemented, and we intend to continue such philosophy and policies.

#### Summary Compensation Table – 2022-2024

| Name and Principal Position                                               | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$)(1) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3) | All Other Compensation (\$)(2) | Total (\$) |
|---------------------------------------------------------------------------|------|-------------|------------|----------------------|--------------------|---------------------------------------------|---------------------------------------------------------------------------------|--------------------------------|------------|
| Stephen G. Berman<br>Chief Executive Officer,<br>President and Secretary  | 2024 | 1,826,042   | 2,943,219  | 3,500,004            | —                  | —                                           | —                                                                               | 30,806                         | 8,300,071  |
|                                                                           | 2023 | 1,800,000   | 5,171,940  | 3,499,994            | —                  | —                                           | —                                                                               | 50,441                         | 10,522,375 |
|                                                                           | 2022 | 1,741,267   | 5,548,203  | 5,726,466            | —                  | —                                           | —                                                                               | 71,478                         | 13,087,414 |
| John L. Kimble<br>Executive Vice President<br>and Chief Financial Officer | 2024 | 584,929     | 757,018    | 877,410              | —                  | —                                           | 124,289                                                                         | 54,505                         | 2,398,151  |
|                                                                           | 2023 | 562,432     | 1,001,805  | 843,648              | —                  | —                                           | —                                                                               | 52,550                         | 2,460,435  |
|                                                                           | 2022 | 540,800     | 753,822    | 1,352,005            | —                  | —                                           | —                                                                               | 42,046                         | 2,688,673  |

- (1) For Mr. Berman, the grant-date fair value of the awards assuming 100% achievement of the applicable performance conditions totaled the lesser of (a) \$3.5 million in value (based on the closing price of a share of Common Stock on the last business day of the prior year), or (b) 2.25% of outstanding shares of Common Stock in 2024, 2023 and 2022, respectively. For Mr. Kimble the grant-date fair value of the awards assuming 100% achievement of the applicable performance conditions totaled \$877,410, \$843,648 and \$40,800 in 2024, 2023 and 2022. The awards to Mr. Berman are capped at the amount of available shares in the Plan.
- (2) Represents automobile allowances paid in the amount of \$3,846, \$24,306 and \$22,528 for Mr. Berman for 2024, 2023 and 2022, respectively, and \$18,000, \$18,000 and \$13,000 for Mr. Kimble for 2024, 2023 and 2022, respectively. The amounts include matching contributions made by us to the Named Executive Officer's 401(k) defined contribution plan in the amount of \$18,975, \$18,150 and \$15,250, for 2024, 2023 and 2022, respectively. The amounts include \$7,985, \$7,985 and \$25,265 related to a life insurance policy for Mr. Berman in 2024, 2023 and 2022, respectively.
- (3) Represents the unrealized gains during the year based on the net changes in fair value in the underlying mutual fund investments offered as part of the Company's Non-Qualified Deferred Compensation plan.

The following table sets forth certain information regarding all equity-based compensation awards outstanding as of December 31, 2024 by the Named Officers:

### Outstanding Equity Awards At Fiscal Year-end

| Name              | Option Awards                                                       |                                                                       |                                                                                       |                            |                        | Stock Awards / Units                                        |                                                                       |                                                                                                   |                                                                                                                    |
|-------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------|------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
|                   | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock that Have Not Vested (#) | Market Value of Shares or Units of Stock that Have Not Vested (\$)(1) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) |
| Stephen G. Berman | —                                                                   | —                                                                     | —                                                                                     | —                          | —                      | 508,371                                                     | 14,310,644                                                            | —                                                                                                 | —                                                                                                                  |
| John L. Kimble    | —                                                                   | —                                                                     | —                                                                                     | —                          | —                      | 116,568                                                     | 3,281,389                                                             | —                                                                                                 | —                                                                                                                  |

(1) The product of (x) \$28.15 (the closing sale price of the common stock on December 31, 2024) multiplied by (y) the number of unvested restricted shares or units outstanding. These units of stock vest annually until 2027.

The following table sets forth certain information regarding amount realized upon the vesting and exercise of any equity-based compensation awards during 2024 by the Named Executive Officers:

### Options Exercises And Stock Vested-2024

| Name              | Option Awards                             |                                 | Stock Awards / Units                     |                                |
|-------------------|-------------------------------------------|---------------------------------|------------------------------------------|--------------------------------|
|                   | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Stephen G. Berman | —                                         | —                               | 81,760                                   | 2,906,568                      |
| John L. Kimble    | —                                         | —                               | 26,837                                   | 846,701                        |

## Potential Payments upon Termination or Change in Control

The following tables describe potential payments and other benefits that would have been received by each Named Officer at, following or in connection with any termination, including, without limitation, resignation, severance, retirement or a constructive termination of such Named Officer, or a change in control of our Company or a change in such Named Officer's responsibilities on December 31, 2024. The potential payments listed below assume that there is no earned but unpaid base salary at December 31, 2024.

### Stephen G. Berman

|                                 | Upon<br>Retirement | Quits For<br>"Good<br>Reason"<br>(3) | Upon<br>Death<br>(4) | Upon<br>"Disability"<br>(5) | Termination<br>Without<br>"Cause" | Termination<br>For<br>"Cause"<br>(6) | Involuntary<br>Termination<br>In<br>Connection<br>with<br>Change of<br>Control (7) |
|---------------------------------|--------------------|--------------------------------------|----------------------|-----------------------------|-----------------------------------|--------------------------------------|------------------------------------------------------------------------------------|
| Base Salary                     | \$ —               | \$ 3,652,083                         | \$ —                 | \$ —                        | \$ 3,652,083                      | \$ —                                 | \$ 22,807,520(8)                                                                   |
| Restricted Stock Units (1)      | —                  | 14,310,644                           | —                    | —                           | 14,310,644                        | —                                    | 14,310,644                                                                         |
| Annual Cash Incentive Award (2) | —                  | —                                    | —                    | —                           | —                                 | —                                    | —                                                                                  |

- (1) The product of (x) \$28.15 (the closing sale price of the common stock on December 31, 2024) multiplied by (y) the number of unvested restricted shares outstanding.
- (2) Assumes that if the Named Officer is terminated on December 31, 2024, they were employed through the end of the incentive period and no bonus was earned and unpaid.
- (3) Defined as (i) our violation or failure to perform or satisfy any material covenant, condition or obligation required to be performed or satisfied by us, or (ii) the material change in the nature, titles or scope of the duties, obligations, rights or powers of the Named Officer's employment resulting from any action or failure to act by us.
- (4) Under the terms of Mr. Berman's employment agreement (see "Employment Agreements"), the provision of health care coverage for Mr. Berman's children will continue until they reach the maximum age at which a child can be covered as a matter of law under a parent's policy in the event of his death during the term of his employment agreement.
- (5) Defined as the Named Officer's inability to perform his duties by reason of any disability or incapacity (due to any physical or mental injury, illness or defect) for an aggregate of 180 days in any consecutive 12-month period.
- (6) Defined as (i) the Named Officer's conviction of, or entering a plea of guilty or nolo contendere (which plea is not withdrawn prior to its approval by the court) to, a felony offense and either the Named Officer's failure to perfect an appeal of such conviction prior to the expiration of the maximum period of time within which, under applicable law or rules of court, such appeal may be perfected or, if he does perfect such an appeal, the sustaining of his conviction of a felony offense on appeal; or (ii) the determination by our Board of Directors, after due inquiry, based upon convincing evidence, that the Named Officer has:
  - (A) committed fraud against, or embezzled or misappropriated funds or other assets of, our Company (or any subsidiary);
  - (B) violated, or caused our Company (or any subsidiary) or any of our officers, employees or other agents, or any other individual or entity to violate, any material law, rule, regulation or ordinance, or any material written policy, rule or directive of our Company or our Board of Directors;
  - (C) willfully, or because of gross or persistent inaction, failed properly to perform his duties or acted in a manner detrimental to, or adverse to our interests; or
  - (D) violated, or failed to perform or satisfy any material covenant, condition or obligation required to be performed or satisfied by him under his employment agreement with us; and that, in the case of any violation or failure referred to in clause (B), (C) or (D), above, such violation or failure has caused, or is reasonably likely to cause, us to suffer or incur a substantial casualty, loss, penalty, expense or other liability or cost.
- (7) Section 280G of the Code disallows a company's tax deduction for what are defined as "excess parachute payments" and Section 4999 of the Code imposes a 20% excise tax on any person who receives excess parachute payments. As discussed above, Mr. Berman is entitled to certain payments upon termination of his employment, including termination following a change in control of our Company. Under the terms of his employment agreement (see "Employment Agreements"), Mr. Berman is entitled to the full amount of the payments and benefits payable in the event of a Change in Control (as defined in the employment agreement) even if it triggers an excise tax imposed by the tax code if the net after-tax amount would still be greater than reducing the total payments and benefits to avoid such excise tax.
- (8) Under the terms of Mr. Berman's employment agreement (see "Employment Agreements"), if a change of control occurs and within two years thereafter Mr. Berman is terminated without "Cause" or quits for "Good Reason," then he has the right to receive a payment equal to 2.99 times his then current base amount as defined in section 280(G) of the Code (which was \$7,627,933 in 2024) and continued health care coverage.

**John L. Kimble**

|                                 | Upon Retirement | Quits For "Good Reason" (3) | Upon Death | Upon "Disability" | Termination Without "Cause" | Termination For "Cause" (4) | Involuntary Termination In Connection with Change of Control (5) |
|---------------------------------|-----------------|-----------------------------|------------|-------------------|-----------------------------|-----------------------------|------------------------------------------------------------------|
| Base Salary                     | \$ —            | \$ 1,169,858                | \$ —       | \$ —              | \$ 1,169,858                | \$ —                        | \$ 1,169,858                                                     |
| Restricted Stock Units (1)      | —               | 3,281,389                   | —          | —                 | 3,281,389                   | —                           | 3,281,389                                                        |
| Annual Cash Incentive Award (2) | —               | —                           | —          | —                 | —                           | —                           | —                                                                |

- (1) The product of (x) \$28.15 (the closing sale price of the common stock on December 31, 2024) multiplied by (y) the number of unvested restricted shares outstanding.
- (2) Assumes that if the Named Officer is terminated on December 31, 2024, they were employed through the end of the incentive period and no bonus was earned and unpaid.
- (3) Defined as (i) any material reduction of the Named Officer's base salary, (ii) relocation of the Named Officer's principal place of employment by more than thirty miles, or (iii) the material change in the nature, titles or scope of the duties, obligations, rights or powers of the Named Officer's employment resulting from any action or failure to act by us.
- (4) Defined as (i) the Named Officer's conviction of, or entering a plea of guilty or nolo contendere (which plea is not withdrawn prior to its approval by the court) to, a felony offense and either the Named Officer's failure to perfect an appeal of such conviction prior to the expiration of the maximum period of time within which, under applicable law or rules of court, such appeal may be perfected or, if he does perfect such an appeal, the sustaining of his conviction of a felony offense on appeal; or (ii) the determination by our Board of Directors, after due inquiry, based on convincing evidence, that the Named Officer has:
  - (A) committed fraud against, or embezzled or misappropriated funds or other assets of, our Company (or any subsidiary);
  - (B) violated, or caused our Company (or any subsidiary) or any of our officers, employees or other agents, or any other individual or entity to violate, any material law, rule, regulation or ordinance, or any material written policy, rule or directive of our Company or our Board of Directors;
  - (C) willfully, or because of gross or persistent inaction, failed properly to perform his duties or acted in a manner detrimental to, or adverse to our interests; or
  - (D) violated, or failed to perform or satisfy any material covenant, condition or obligation required to be performed or satisfied by him under his employment agreement with us; and that, in the case of any violation or failure referred to in clause (B), (C) or (D), above, such violation or failure has caused, or is reasonably likely to cause, us to suffer or incur a substantial casualty, loss, penalty, expense or other liability or cost.
- (5) Under the terms of Mr. Kimble's employment agreement (see "Employment Agreements"), if a change of control occurs and within one year thereafter Mr. Kimble is terminated without "Cause" or quits for "Good Reason", then he has the right to receive a payment equal to two times his then current base salary.

**Compensation of Directors**

Analogous to our executive compensation philosophy, it is our desire to similarly compensate our non-employee directors for their services in a way that will serve to attract and retain highly qualified members of the Board. As changes in securities laws require greater involvement by, and places additional burdens on, a company's directors, it becomes even more necessary to locate and retain highly qualified directors.

In August 2019, following the Recapitalization, our Board of Directors changed the compensation payable to non-employee directors to provide that (i) each director receives an annual cash fee of \$100,000 paid quarterly, (ii) each member of a Committee receives an annual cash fee of \$5,000, (iii) the chair of the Audit Committee receives an additional cash fee of \$15,000 and (iv) the chair of the other Committees receives an additional \$10,000. Mr. Winkler, pursuant to the internal rules of his employer, did not receive any fees as a director until Q2 of 2024 when his fees began to be paid to his employer, Benefit Street Partners.

In February 2010 our Board determined the terms for the minimum shareholding requirements. Pursuant to the new minimum shareholding requirements, each director will be required to hold shares with a value equal to at least two times the average annual cash stipend paid to the director during the prior two calendar years. To illustrate: if an average director wishes to sell shares in 2025, he/she will have to hold shares with a market value of at least \$218,958 prior to and following any sale of shares calculated as of the date of the sale, such \$218,958 minimum calculated by taking the average cash stipend of \$109,479 paid during the prior two years multiplied by two.

The following table sets forth the compensation earned by our non-employee directors for our fiscal year ended December 31, 2024:

**Director Compensation**

| Name                   | Year | Fees<br>Earned<br>or Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>Incentive (\$) | Change in<br>Pension Value<br>and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|------------------------|------|----------------------------------------------|-------------------------|--------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------------------|---------------|
| Alexander Shoghi       | 2024 | 135,000                                      | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | 135,000       |
| Zhao Xiaoliang (1)     | 2024 | 100,000                                      | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | 100,000       |
| Carole Levine          | 2024 | 110,000                                      | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | 110,000       |
| Lori J. MacPherson     | 2024 | 110,000                                      | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | 110,000       |
| Joshua Cascade         | 2024 | 105,000                                      | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | 105,000       |
| Matthew Winkler (2)    | 2024 | 93,750                                       | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | 93,750        |
| Neilwantie Mahabir (3) | 2024 | —                                            | —                       | —                        | —                                                                 | —                                                                                                 | —                                 | —             |

(1) Did not stand for re-election at the 2024 annual meeting.

(2) Mr. Winkler, pursuant to the internal rules of his employer, did not receive any fees as a director until Q2 of 2024 when his fees began to be paid to his employer, Benefit Street Partners.

(3) Elected at the 2024 annual meeting.

*Employment Agreements and Termination of Employment Arrangements*

We entered into an amended and restated employment agreement with Mr. Berman on November 11, 2010. We entered into an amended employment agreement with Mr. McGrath on August 23, 2011 when he became our Chief Operating Officer. Mr. McGrath ceased being an executive officer on December 31, 2023. We entered into a new employment agreement with Mr. Kimble on November 20, 2019 when he became our Chief Financial Officer.

On June 7, 2016, we amended the employment agreement between us and Mr. Berman, our Chairman, CEO and President, and entered into Amendment Number Two to Mr. Berman's Second Amended and Restated Employment Agreement dated November 11, 2010 (the "Berman Employment Agreement"). The terms of the Berman's Employment Agreement have been amended as follows: (i) extension of the term until December 31, 2020; (ii) increase of Mr. Berman's Base Salary to \$1,450,000 effective June 1, 2016, subject to annual increases thereafter as determined by the Compensation Committee, with annual minimum increases of \$25,000 commencing January 1, 2017; (iii) modification of the performance and vesting standards for each \$3.5 million Annual Restricted Stock Grant ("Annual Stock Grant") provided for under Section 3(b) of the Employment Agreement, effective as of January 1, 2017, so that 40% (\$1.4 million) of each Annual Stock Grant will be subject to time vesting in four equal annual installments over four years and 60% (\$2.1 million) of each Annual Stock Grant will be subject to three year "cliff vesting" (i.e. payment is based upon performance at the close of the three year performance period), with vesting of each Annual Stock Grant determined by the following performance measures: (a) total shareholder return as compared to the Russell 2000 Index (weighted 50%), (b) net revenue growth as compared to our peer group (weighted 25%) and (c) growth in Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as compared to our peer group (weighted 25%); (iv) modification of the performance measures for award of the Annual Performance Bonus equal to up to 300% of Base Salary ("Annual Bonus") provided for under Section 3(d) of the Berman Employment Agreement, effective as of January 1, 2017, so that the performance measures will be based only upon net revenues and EBITDA, each performance measure weighted 50%, and with the specific performance criteria applicable to each Annual Bonus determined by the Compensation Committee during the first quarter of each fiscal year; and (v) provision of health and dental insurance coverage for Mr. Berman's children in the event of his death during the term of the Berman Employment Agreement.



On August 9, 2019, we further amended the Berman Employment Agreement as follows: (i) increase of Mr. Berman's Base Salary to \$1,700,000, effective immediately; (ii) addition of a 2020 performance bonus opportunity in a range between twenty-five percent (25%) and three hundred percent (300%) of Base Salary, based upon the level of EBITDA achieved for the fiscal year, as determined by the Compensation Committee, and subject to additional terms and conditions as set forth therein; (iii) addition of a special sale transaction bonus equal to \$1,000,000 if we enter into and consummate a Sale Transaction on or before February 15, 2020, subject to additional terms and conditions as set forth therein; (iv) modification of the Berman Annual Stock Grant provided for under section 3(b) of the Berman Employment Agreement, effective as of January 2020, so that the number of shares of Restricted Stock granted pursuant to the Berman Annual Stock Grant equal the lesser of (a) \$3,500,000 in value (based on the closing price of a share of Common Stock on December 31, 2019), or (b) 1.5% of outstanding shares of Common Stock, which shall vest in four equal installments on each anniversary of grant; (v) waiver of certain "Change of Control", Liquidity Event, and other provisions under the Berman Employment Agreement with respect to certain Specified Transactions; and (vi) modification of the definition of "Good Reason Event" to include a change in membership of the Board such that following such change, a majority of the directors are not Continuing Directors. All capitalized terms used but not defined in the previous sentence have the meanings ascribed thereto in the Berman Employment Agreement, as amended by the third amendment.

On November 18, 2019, we further amended the Berman Employment Agreement as follows: (i) to extend the term of the Berman Employment Agreement for an additional year through December 31, 2021; (ii) addition of a 2021 performance bonus opportunity in a range between twenty-five percent (25%) and three hundred percent (300%) of Base Salary, based upon the level of EBITDA achieved for the fiscal year, as determined by the Compensation Committee, which shall be payable in cash and is subject to additional terms and conditions as set forth therein; (iii) modification of the Berman Annual Stock Grant provided for under section 3(b) of the Berman Employment Agreement, effective as of January 2020, so that the number of shares of Restricted Stock granted pursuant to the Berman Annual Stock Grant equal the lesser of (a) \$3,500,000 in value (based on the closing price of a share of Common Stock on the last business day of the prior year), or (b) 1.5% of outstanding shares of Common Stock, which shall vest in four equal installments on each anniversary of grant, provided, that no such award under (a) or (b) above shall be made to Executive (and no cash substitute shall be provided to Executive) to the extent shares are not available for grant under the Company's 2002 Plan as of such date; and, provided, further, that we shall not be obligated to amend the 2002 Plan and/or seek shareholder approval of any amendment to increase the amount of available shares under the 2002 Plan. All capitalized terms used but not defined in the previous sentence have the meanings ascribed thereto in the Berman Employment Agreement, as amended by the fourth amendment.

On February 18, 2021, we further amended the Berman Employment Agreement as follows: (i) to extend the Term of the Berman Employment Agreement for an additional three years through December 31, 2024; (ii) addition of a performance bonus opportunity for 2022 – 2024 in a range between twenty-five percent (25%) and three hundred percent (300%) of Base Salary, based upon the level of EBITDA achieved by the Company for the fiscal year, as determined by the Compensation Committee, which shall be payable in cash and is subject to additional terms and conditions as set forth therein; and (iii) modification of the Annual Restricted Stock Grant provided for under section 3(b) of the Berman Employment Agreement, effective as of January 2022, so that the number of shares of Restricted Stock granted pursuant to such Annual Restricted Stock Grant equal the lesser of (a) \$3,500,000 in value (based on the closing price of a share of Common Stock on the last business day of the prior year), or (b) 2.25% of outstanding shares of Common Stock, which shall vest in three equal installments on each anniversary of grant, provided, that no such award under (a) or (b) above shall be made to Mr. Berman (and no cash substitute shall be provided to Mr. Berman) to the extent shares are not available for grant under the Plan as of such date; and, provided, further, that the Company shall not be obligated to amend the Plan and/or seek shareholder approval of any amendment to increase the amount of available shares under the Plan. All capitalized terms used but not defined in the previous sentence have the meanings ascribed thereto in the Berman Employment Agreement, as amended by the fifth amendment.

Effective November 20, 2019, we entered into a letter agreement with John L. Kimble (the "Kimble Employment Agreement"). The Kimble Employment Agreement provides that Mr. Kimble will be our Executive Vice President and Chief Financial Officer as an at-will employee at an annual salary of \$500,000. Mr. Kimble will also receive a grant of \$250,000 restricted stock units ("RSUs") on the date hereof and annual grants of \$250,000 of RSUs for the initial year and \$500,000 annual grants of RSUs for every year thereafter. The number of shares in each annual grant of RSUs will be determined by the closing price of our common stock on the last trading day prior to the day of each annual grant. 60% (\$150,000 for the first year and \$300,000 thereafter) of each annual grant of RSUs will be subject to three year "cliff vesting" (i.e. vesting is based upon performance at the close of the three year performance period), with vesting of each annual grant of RSUs determined by the following performance measures: (i) Total shareholder return as compared to the Russell 2000 Index (weighted 50%); (ii) Net revenue growth as compared to the Company's peer group (weighted 25%), and (iii) EBITDA growth as compared to the Company's peer group (weighted 25%). 40% (\$100,000 for the first year and \$200,000 thereafter) of each annual grant of RSUs will vest in 3 equal annual installments commencing on the first anniversary of the date of grant and on the second and third anniversaries thereafter. The Kimble Employment Agreement also contains provisions relating to benefits, change of control, and an annual performance-based bonus award equal to up to 125% of base salary.

On February 18, 2021, we amended the Kimble Employment Agreement as follows: (i) changing Mr. Kimble's status from an "employee at will" by providing for a term extending through December 31, 2024; (ii) increase in annual salary to \$520,000 effective immediately and annual increases of at least 4% commencing January 1, 2022; (iii) modification of the cash performance bonus opportunity for 2021 – 2024 in a range between twenty-five percent (25%) and one hundred twenty five percent (125%) of Base Salary, based upon the level of EBITDA achieved by the Company for the fiscal year, as determined by the Compensation Committee, which shall be payable in cash and is subject to additional terms and conditions as set forth therein; (iv) modification of the provision of the Kimble Employment Agreement captioned "Restricted Stock Awards", effective as of January 2022, to provide for the annual grant of a number of shares of Restricted Stock equal to the lesser of (a) Mr. Kimble's Base Salary in value (based on the closing price of a share of Common Stock on the last business day of the prior year), or (b) 1.05% of outstanding shares of Common Stock, which shall vest in three equal installments on each anniversary of grant, provided, that no such award under (a) or (b) above shall be made to Mr. Kimble (and no cash substitute shall be provided to Mr. Kimble) to the extent shares are not available for grant under the Plan as of such date; and, provided, further, that the Company shall not be obligated to amend the Plan and/or seek shareholder approval of any amendment to increase the amount of available shares under the Plan; and (v) as described above, inasmuch as this first amendment changes Mr. Kimble's status as an employee at will, the Kimble Employment Agreement has also been revised to include provisions regarding minimum stock ownership requirements, "clawback" provisions and termination provisions for "Cause" and "Good Reason", all of which new provisions, are similar to the provisions in the employment agreements of the Company's other executive officers. All capitalized terms used but not defined in the previous sentence have the meanings ascribed thereto in the Kimble Employment Agreement, as amended by the first amendment.

On September 27, 2021, the Company amended the employment agreements between the Company and each of Mr. Stephen G. Berman, our Chief Executive Officer, Mr. John (a/k/a Jack) McGrath, our former Chief Operating Officer, and Mr. John Kimble, our Chief Financial Officer. The purpose of the amendments was to change the issuance, past and future, of all restricted stock awards to restricted stock units. All other material terms of the respective employment agreements remain the same, including without limitation, the terms of all such grants including the timing of all vesting periods and the vesting benchmarks.

On October 25, 2022, the Company amended the employment agreement between the Company and Mr. Stephen G. Berman, Chief Executive Officer and President, and entered into Amendment NO. 7 to the Berman Employment Agreement. The terms of the Berman's Employment Agreement have been amended as follows: (i) to extend the terms of the Berman Employment Agreement for an additional two years through December 31, 2026; (ii) addition of a performance bonus opportunity for 2025-2026 in a range between twenty-five percent (25%) and three hundred percent (300%) of Base Salary, based upon the level of EBITDA achieved by the Company for the fiscal year, as determined by the Compensation Committee, which shall be payable in cash and is subject to additional terms and conditions as set forth herein; (iii) provision of an Annual Restricted Stock Unit Grant as provided for under section 3(b) of the Berman Employment Agreement, effective as of January 2025, if a number of shares of Restricted Stock Units granted pursuant to such Annual Restricted Stock Unit Grant equal the lesser of (a) \$3,500,000 in value (based on the closing price of a share of Common Stock on the last business day of the prior year), or (b) 2.25% of outstanding shares of Common Stock, which shall vest in three equal installments on each anniversary of grant, provided, that no such award under (a) or (b) above shall be made to Mr. Berman (and no cash substitute shall be provided to Mr. Berman) to the extent shares are not available for grant under the Plan as of such date; and provided, further, that the Company shall not be obligated to amend the Plan and/or seek shareholder approval of any amendment to increase the amount of available shares under the Plan; and (iv) in consideration of Mr. Berman agreeing to extend the term of his employment agreement, a grant of 183,748 Restricted Stock Units, which shall vest in two equal installments of 91,874 Restricted Stock Units each on October 25, 2025 and October 25, 2026 (provided that Executive remains employed by the Company on such date(s), as applicable.) All capitalized terms used but not defined in the two previous sentences have the meanings ascribed thereto in the Berman Employment Agreement, as amended by the seventh amendment.

On October 25, 2022, the Company amended the employment letter agreement between the Company and Mr. John L. Kimble, Chief Financial Officer and Executive Vice President, and entered into Amendment No. 1 to the Kimble Employment Agreement. The terms of the Kimble Employment Agreement have been amended as follows: (i) ) to extend the Term of the Kimble Employment Agreement for an additional two years through December 31, 2026; (ii) modification of existing cash performance bonus opportunity for 2023 – 2026 in a range between twenty-five percent (25%) and two hundred percent (200%) of Base Salary, based upon the level of EBITDA achieved by the Company for the fiscal year, as determined by the Compensation Committee, which shall be payable in cash and is subject to additional terms and conditions as set forth therein; (iii) modification of the Kimble Employment Agreement captioned “Restricted Stock Awards”, effective as of January 2023, to provide for the annual grant of a number of shares of Restricted Stock Units equal to the lesser of (a) 150% of Base Salary in value (based on the closing price of a share of Common Stock on the last business day of the prior year), or (b) 1.50% of outstanding shares of Common Stock, which shall vest in three equal installments on each anniversary of grant, provided, that no such award under (a) or (b) above shall be made to Mr. Kimble (and no cash substitute shall be provided to Mr. Kimble) to the extent shares are not available for grant under the Plan as of such date; and, provided, further, that the Company shall not be obligated to amend the Plan and/or seek shareholder approval of any amendment to increase the amount of available shares under the Plan; and (iv) in consideration of Mr. Kimble agreeing to extend the term of his employment agreement, a grant of 41,988 Restricted Stock Units, which shall vest in two equal installments of 20,994 Restricted Stock Units each on October 25, 2025 and October 25, 2026 (provided that Executive remains employed by the Company on such date(s), as applicable.) All capitalized terms used but not defined in the previous sentence have the meanings ascribed thereto in the Kimble Employment Agreement, as amended by the first amendment.

On March 31, 2023, the Company amended the employment agreement between the Company and Mr. Stephen G. Berman, Chief Executive Officer and President, and entered into Amendment No. 8 to the Berman Employment Agreement. The terms of the Berman Employment Agreement have been amended to increase Mr. Berman’s Base Salary to an annual rate of \$1,800,000, effective January 1, 2023, and for each subsequent calendar year during the Term at an annual rate to be determined by the Compensation Committee of the Company’s Board of Directors, but is at least \$25,000 more than the annual rate in the immediately preceding year.

On February 18, 2025, the Company amended the employment agreements between the Company and Messrs. Berman and Kimble to, among other things, (i) extend the terms of their respective Employment Agreements for an additional twenty-seven months through March 31, 2029; (ii) provide for the addition of a performance award consisting of RSUs which will vest in tranches based upon the market price of our common stock, and (iii) under certain circumstances continue, post-termination, to provide certain health insurance benefits to the executive and his family.

The foregoing is only a summary of the material terms of our employment agreements with the Named Executive Officers. For a complete description, copies of such agreements are annexed herein in their entirety as exhibits or are otherwise incorporated herein by reference.

On October 19, 2011, our Board of Directors approved the material terms of and adoption of our Company’s Change in Control Severance Plan (the “Severance Plan”), which applies to certain of our key employees. None of our named executive officers participate in the Severance Plan. The Severance Plan provides that if, within the two year period immediately following the “change in control” date (as defined in the Severance Plan), a participant has a qualifying termination of employment, the participant will be entitled to severance equal to a multiple of monthly base salary, which multiple is the greater of (i) the number of months remaining in the participant’s term of employment under his or her employment agreement and (ii) a number ranging between 12 and 18; accelerated vesting of all unvested equity awards; and continued health care coverage for the number of months equal to the multiple used to determine the severance payment. On February 26, 2020 our Board of Directors terminated the Severance Plan, but such termination would not be effective as to any employee who was a participant as of the termination date if a Change In Control were to occur prior to the twelve-month period following the termination date.

*Employee Benefits Plan*

We sponsored for our U.S. employees, a defined contribution plan under Section 401(k) of the Internal Revenue Code. The Plan provided that employees may defer up to 50% of their annual compensation subject to annual dollar limitations, and that the Company would make a matching contribution equal to 100% of each employee's deferral, up to 5% of the employee's annual compensation. Company-matching contributions, which vest immediately, totaled \$1.7 million, \$1.5 million and \$2.1 million for the year ended December 31, 2024, 2023 and 2022, respectively.

Starting December 2023, we sponsored for certain of our U.S. based senior employees, a nonqualified deferred compensation plan which includes provisions for salary deferrals and discretionary contributions on a deferred tax basis. As of December 31, 2024 we have not made any discretionary matching contributions to the plan. Employees direct the investment of their account balances, and we invest amounts held in the associated investment trust consistent with these directions. The value of the assets held in trust by the nonqualified plan was \$1.7 million and \$41.1 thousand as of December 31, 2024 and 2023, respectively.

The Company has statutory benefit plans outside the U.S., which are not material.

*Compensation Committee Interlocks and Insider Participation*

None of our executive officers has served as a director or member of a compensation committee (or other Board committee performing equivalent functions) of any other entity, one of whose executive officers served as a director or a member of our Compensation Committee.

## Pay vs. Performance

In accordance with rules adopted by the SEC pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we provide the following information about the relationship between executive compensation for our principal executive officers (“PEOs”) and non-PEO named executive officers (“NEOs”) as well as certain financial performance of the Company. The following table sets forth additional compensation information for our principal executive officer (PEO) and our non-PEO named executive officers (“Non-PEO NEOs”), calculated in accordance with Item 402(v) of Regulation S-K, for fiscal years 2024, 2023 and 2022.

| Year | Summary<br>Compensation<br>Table Total<br>For PEO (1) | Compensation<br>Actually Paid<br>To PEO (2) | Average<br>Summary<br>Compensation<br>Table<br>Total for<br>Non-PEO<br>NEOs (3) | Average<br>Compensation<br>Actually Paid<br>to<br>Non-PEO<br>NEOs (4) | Value of Initial<br>Fixed \$100<br>Investment<br>Based on Total<br>Non-PEO<br>NEOs (5) | Net Income<br>(in millions) |
|------|-------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------|
| 2024 | \$ 8,300,071                                          | \$ 3,933,102                                | \$ 2,273,861                                                                    | \$ 945,505                                                            | \$ 277.07                                                                              | \$ 34,200                   |
| 2023 | 10,522,375                                            | 22,454,003                                  | 2,126,995                                                                       | 4,786,597                                                             | 349.90                                                                                 | 38,113                      |
| 2022 | 13,087,414                                            | 15,174,520                                  | 2,252,570                                                                       | 3,082,281                                                             | 172.15                                                                                 | 91,083                      |

- (1) The dollar amounts reported are the amounts of total compensation reported for our PEO, Stephen G. Berman, in the Summary Compensation Table of our 10-K for fiscal years 2024, 2023 and 2022.
- (2) The dollar amounts reported represent the amount of “compensation actually paid”, as computed in accordance with SEC rules. The dollar amounts reported are the amounts of total compensation reported for Mr. Berman during the applicable year, but also include (i) the year-end value of equity awards granted during the reported year, (ii) the change in the value of equity awards that were unvested at the end of the prior year, measured through the date the awards vested, or through the end of the reported fiscal year, (iii) value of equity awards issued and vested during the reported fiscal year, and (iv) reduced by the value of equity awards granted in prior years that were forfeited in subsequent years.
- (3) The dollar amounts reported are the average of the total compensation reported for our NEOs, other than our PEO, namely Mr. Kimble for fiscal year 2024 and Messrs. Kimble and McGrath for fiscal years 2023 and 2022.
- (4) The dollar amounts reported represent the average amount of “compensation actually paid”, as computed in accordance with SEC rules, for our NEOs, other than our PEO. The dollar amounts reported are the average of the total compensation reported for our NEOs, other than our PEO in the Summary Compensation Table for fiscal years 2024, 2023 and 2022, but also include (i) the year-end value of equity awards granted during the reported year, (ii) the change in the value of equity awards that were unvested at the end of the prior year, measured through the date the awards vested, or through the end of the reported fiscal year, (iii) value of equity awards issued and vested during the reported fiscal year, and (iv) reduced by the value of equity awards granted in prior years that were forfeited in subsequent years.
- (5) Assumes an investment of \$100 for the period starting on January 1, 2022 through the end of the listed fiscal year. The closing prices of the Company’s common stock as reported on Nasdaq, as applicable, on the following trading days were: (i) \$17.49 on December 31, 2022; (ii) \$35.55 on December 31, 2023; and (iii) \$28.15 on December 31, 2024.

The following table details the adjustments to the Summary Compensation Table to determine average “compensation actually paid” for the PEO and NEOs (other than the PEO), as computed in accordance with SEC Item 402(v). Amounts do not reflect the actual compensation earned by or paid to our PEO and NEOs during the applicable year.

|                                                                                     | PEO                 |                      |                      | NEO               |                     |                     |
|-------------------------------------------------------------------------------------|---------------------|----------------------|----------------------|-------------------|---------------------|---------------------|
|                                                                                     | 2024                | 2023                 | 2022                 | 2024              | 2023                | 2022                |
| Total Compensation (Per Comp Table)                                                 | \$ 8,300,071        | \$ 10,522,375        | \$ 13,087,414        | \$ 2,273,861      | \$ 2,126,995        | \$ 2,252,570        |
| Less: Grant date FV of RSUs on Summary Compensation Table                           | (3,500,004)         | (3,499,994)          | (5,726,466)          | (877,410)         | (681,822)           | (936,002)           |
| Add: YE FV of RSUs granted in CY and unvested in CY                                 | 2,771,452           | 7,114,053            | 6,960,425            | 694,770           | 1,385,863           | 1,280,242           |
| Add: Change in FV of unvested awards granted in PY                                  | (3,033,393)         | 6,907,625            | 837,709              | (679,964)         | 1,370,420           | 404,785             |
| Add: Change in FV from PY to vesting date of awards granted in PY that vested in CY | (605,024)           | 1,409,944            | 15,438               | (198,594)         | 604,432             | 80,687              |
| Less: Performance-based shares forfeited in CY (FV @ end of PY YE)                  | —                   | —                    | —                    | (267,158)         | (19,291)            | —                   |
| Average compensation actually paid                                                  | <u>\$ 3,933,102</u> | <u>\$ 22,454,003</u> | <u>\$ 15,174,520</u> | <u>\$ 945,505</u> | <u>\$ 4,786,597</u> | <u>\$ 3,082,282</u> |

In accordance with Item 402(v) requirements, the fair values of unvested and outstanding equity awards were remeasured as of the end of each fiscal year, and as of each vesting date, during the years displayed in the table above.

#### Option Grant Practices

In recent years, we have not granted stock options, stock appreciation rights or similar instruments with option-like features to our employees. We therefore (i) do not grant, and have not granted, such instruments in anticipation of the release of material nonpublic information, (ii) we do not time, and have not timed, the release of material nonpublic information based on grant dates of such instruments or for the purpose of affecting the value of executive compensation and (iii) we do not take, and have not taken, material nonpublic information into account when determining the timing and terms of such instruments. As options, stock appreciation rights or similar instruments with option-like features have not been an element of employee compensation in recent years, we do not have a formal policy with respect to the timing of grants thereof, and we did not grant options, stock appreciation rights or similar instruments with option-like features in 2024.

#### Compensation Recovery Policy

Effective December 1, 2023, our Board of Directors adopted a policy (commonly known as a “clawback” policy) which provides for the recovery of erroneously awarded incentive compensation to certain of our officers in the event that we are required to prepare an accounting restatement due to material noncompliance by us with any financial reporting requirements under the federal securities laws. This policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended, Rule 10D-1 promulgated thereunder, Nasdaq Listing Rule 508, and such other applicable rules and regulations (the “Listing Standards”). The policy is administered by our Board of Directors or, if so designated by the Board of Directors, the Compensation Committee (in either case, the “Administrator”). Any determinations made by the Administrator shall be final and binding on all affected individuals.

The individuals covered by this policy (the “Covered Executives”) are any current or former executive officers, as determined by the Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.

The policy covers our recoupment of “Incentive-Based Compensation” (as defined in the policy) received by a person after beginning service as a Covered Executive and who served as a Covered Executive at any time during the performance period for that Incentive Compensation. In the event we are required to prepare an accounting restatement, the policy requires us to recover, reasonably promptly, any erroneously awarded Incentive-Based Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which we are required to prepare such accounting restatement, all as as determined by the Administrator.

The amount required to be recovered is the excess of the amount of Incentive-Based Compensation received over the amount that otherwise would have been received had it been determined based on the restated financial measure.

The foregoing description of our Clawback Policy does not purport to be complete and is qualified in its entirety by the terms and conditions of such policy, a copy of which is filed as an exhibit to this Report and is incorporated herein by reference. Capitalized terms used above and not defined shall have the meanings assigned them in the Policy.

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

The following table sets forth certain information as of March 1, 2025 with respect to the beneficial ownership of our common stock by (1) each person known by us to own beneficially more than 5% of the outstanding shares of our common stock, (2) each of our directors, (3) each of our named executive officers, and (4) all our directors and executive officers as a group.

| <b>Name and Address of Beneficial Owner (1)(2)</b>          | <b>Amount and Nature of Beneficial Ownership (3)</b> | <b>Percent of Outstanding Shares (4)</b> |
|-------------------------------------------------------------|------------------------------------------------------|------------------------------------------|
| Lawrence I. Rosen                                           | 1,885,672(5)                                         | 16.9%                                    |
| BlackRock, Inc.                                             | 597,858(6)                                           | 5.4                                      |
| Stephen G. Berman                                           | 307,042(7)                                           | 2.8                                      |
| John L. Kimble                                              | 115,173(8)                                           | 1.0                                      |
| Alexander Shoghi                                            | 12,564(9)                                            | *                                        |
| Zhao Xiaoliang                                              | 9,629(10)                                            | *                                        |
| Matthew Winkler                                             | —                                                    | —                                        |
| Lori MacPherson                                             | —                                                    | —                                        |
| Joshua Cascade                                              | —                                                    | —                                        |
| Carole Levine                                               | —                                                    | —                                        |
| Neilwantie Mahabir                                          | —                                                    | —                                        |
| All directors and executive officers as a group (8 persons) | 434,779(10)                                          | 3.9                                      |

\* Less than 1% of our outstanding shares.

- (1) Unless otherwise indicated, such person's address is c/o JAKKS Pacific, Inc., 2951 28th Street, Santa Monica, California 90405.
- (2) The number of shares of common stock beneficially owned by each person or entity is determined under the rules promulgated by the Securities and Exchange Commission. Under such rules, beneficial ownership includes any shares as to which the person or entity has sole or shared voting power or investment power. The percentage of our outstanding shares is calculated by including among the shares owned by such person any shares which such person or entity has the right to acquire within 60 days after March 1, 2025. The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of such shares.
- (3) Except as otherwise indicated, exercises sole voting power and sole investment power with respect to such shares. All share amounts have been adjusted to reflect the 1-10 reverse split effective July 9, 2020.
- (4) Based upon 11,146,230 shares outstanding on March 1, 2025. Does not include, unless noted otherwise, any shares of common stock issuable upon the conversion of any Restricted Stock Units ("RSUs").
- (5) The address of Mr. Rosen is 1578 Sussex Turnpike (Bldg. 5), Randolph, NJ 07689. Possesses shared voting and dispositive power with respect to all of such shares. All the information presented in this Item with respect to this beneficial owner was extracted solely from a Schedule 13D/A filed on June 24, 2024.
- (6) The address of BlackRock, Inc. is 50 Hudson Yards, New York, NY 10001. Possesses sole voting power with respect to 597,858 shares and sole power with respect to all of such shares. All the information presented in this Item with respect to this beneficial owner was extracted solely from the Schedule 13G filed on November 8, 2024.
- (7) Does not include an aggregate of 523,755 shares of common stock underlying unvested RSUs issued pursuant to the terms of Mr. Berman's January 1, 2003 Employment Agreement (as amended to date) which RSUs are further subject to the terms of Restricted Stock Unit Award Agreements with Mr. Berman (the "Berman Agreement"). Certain of these shares may be restricted from transfer pursuant to the minimum stock ownership provisions adopted by the Company's Board of Directors.
- (8) Does not include 136,102 shares underlying currently unvested RSUs which will vest pursuant to the terms of Mr. Kimble's November 18, 2019 Employment Agreement (as amended to date), which RSUs are further subject to the terms of our Restricted Stock Unit Award Agreements with Mr. Kimble (the "Kimble Agreement"). The Kimble Agreement provides that Mr. Kimble will forfeit his rights to some or all of such RSUs unless certain conditions precedent are met, as described in the Kimble Agreement. Certain of these shares may be restricted from transfer pursuant to the minimum stock ownership provisions adopted by the Company's Board of Directors.
- (9) Consists of 12,564 shares of common stock issued pursuant to our 2002 Stock Award and Incentive Plan (the "2002 Plan"). Certain of these shares may be restricted from transfer pursuant to the minimum stock ownership provisions adopted by the Company's Board of Directors.
- (10) Does not include any shares underlying RSUs.



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

*(a) Transactions with Related Persons*

In March 2017, the Company entered into an equity purchase agreement with Hong Kong Meisheng Cultural Company Limited (“Meisheng”) which provided, among other things, that as long as Meisheng and its affiliates hold 10% or more of the issued and outstanding shares of common stock of the Company, Meisheng shall have the right from time to time to designate a nominee for election to the Company’s board of directors. Since such time, Mr. Xiaoqiang Zhao was Meisheng’s nominee. Meisheng and its affiliates own less than 10% of the Company’s outstanding shares of common stock. Mr. Zhao did not stand for reelection as director at the Company’s 2024 annual meeting. Since December 6, 2024, Meisheng is not represented on the Company’s board of directors and thus ceased to be a related party to the company.

Meisheng serves as a significant manufacturer of the Company. For the years ended December 31, 2024, 2023 and 2022, the Company made inventory, molds and tooling related payments to Meisheng of approximately \$98.4 million, \$75.7 million and \$120.5 million respectively. As of December 31, 2024 and 2023, amounts due to Meisheng for inventory received by the Company, but not paid totaled \$13.5 million and \$12.3 million, respectively. For the year ended December 31, 2024, the Company recorded sales revenues of \$0.1 million from Party X People GMBH, a subsidiary of Meisheng.

*(b) Review, Approval or Ratification of Transactions with Related Persons*

Pursuant to our Ethical Code of Conduct (a copy of which may be found on our website, [www.jakks.com](http://www.jakks.com)), all of our employees are required to disclose to our General Counsel, the Board of Directors or any committee established by the Board of Directors to receive such information, any material transaction or relationship that reasonably could be expected to give rise to actual or apparent conflicts of interest between any of them, personally, and us. In addition, our Ethical Code of Conduct also directs all employees to avoid any self-interested transactions without full disclosure. This policy, which applies to all of our employees, is reiterated in our Employee Handbook which states that a violation of this policy could be grounds for termination. In approving or rejecting a proposed transaction, our General Counsel, Board of Directors or designated committee will consider the facts and circumstances available and deemed relevant, including but not limited to, the risks, costs and benefits to us, the terms of the transactions, the availability of other sources for comparable services or products, and, if applicable, the impact on director independence. Upon concluding their review, they will only approve those agreements that, in light of known circumstances, are in or are not inconsistent with, our best interests, as they determine in good faith.

*(c) Director Independence*

For a description of our Board of Directors and its compliance with the independence requirements therefore as promulgated by the Securities and Exchange Commission and Nasdaq, see “Item 10- Directors, Executive Officers and Corporate Governance.”



**Item 14. Principal Accountant Fees and Services**

Before our principal accountant is engaged by us to render audit or non-audit services, as required by the rules and regulations promulgated by the Securities and Exchange Commission and/or Nasdaq, such engagement is approved by the Audit Committee.

The following are the fees of BDO USA, our principal accountant (PCAOB ID: 243), for the two years ended December 31, 2024, for services rendered in connection with the audit for those respective years (all of which have been pre-approved by the Audit Committee):

|                    | 2024                | 2023                |
|--------------------|---------------------|---------------------|
| Audit Fees         | \$ 2,192,082        | \$ 2,290,513        |
| Audit Related Fees | 4,500               | 4,400               |
|                    | <u>\$ 2,196,582</u> | <u>\$ 2,294,913</u> |

*Audit Fees* consist of the aggregate fees for professional services rendered for the audit of our annual financial statements and the reviews of the financial statements included in our Forms 10-Q and for any other services that were normally provided by our auditors in connection with our statutory and regulatory filings or engagements.

*Audit Related Fees* consist of the aggregate fees billed for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements and were not otherwise included in Audit Fees. These fees primarily relate to audits of employee benefit plans.

Our Audit Committee has considered whether the provision of the non-audit services described above is compatible with maintaining our auditors' independence and determined that such services are appropriate.

**PART IV****Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements (included in Item 8):

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2024 and 2023
- Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022
- Consolidated Statements of Other Comprehensive Loss for the years ended December 31, 2024, 2023 and 2022
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024, 2023 and 2022
- Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022
- Notes to Consolidated Financial Statements

(2) Financial Statement Schedules (included in Item 8):

(3) Exhibits:

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                                                                                    |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 3.1                       | <a href="#">Amended and Restated Certificate of Incorporation of the Company (1)</a>                                  |
| 3.1.1                     | <a href="#">Certificate of Designations of Series A Senior Preferred Stock (26)</a>                                   |
| 3.1.2                     | <a href="#">Certificate of Amendment to Certificate of Designations of Series A Senior Preferred Stock (31)</a>       |
| 3.1.3                     | <a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (2)</a>      |
| 3.1.4                     | <a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (3)</a>      |
| 3.1.5                     | <a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (37)</a>     |
| 3.1.6                     | <a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (27)</a> |
| 3.1.7                     | <a href="#">Amended and Restated Certificate of Designations of Series A Senior Preferred Stock (27)</a>              |
| 3.2.1                     | <a href="#">Second Amended and Restated By-Laws of the Company (26)</a>                                               |
| 3.2.2                     | <a href="#">Third Amended and Restated By-Laws of the Company (27)</a>                                                |
| 3.3                       | <a href="#">Amendment No. 1 to Third Amended and Restated By-Laws of the Company (15)</a>                             |

|         |                                                                                                                                                |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1.1  | <a href="#">Third Amended and Restated 1995 Stock Option Plan (4)</a>                                                                          |
| 10.1.2  | <a href="#">1999 Amendment to Third Amended and Restated 1995 Stock Option Plan (5)</a>                                                        |
| 10.1.3  | <a href="#">2000 Amendment to Third Amended and Restated 1995 Stock Option Plan (6)</a>                                                        |
| 10.1.4  | <a href="#">2001 Amendment to Third Amended and Restated 1995 Stock Option Plan (7)</a>                                                        |
| 10.2    | <a href="#">2002 Stock Award and Incentive Plan (8)</a>                                                                                        |
| 10.2.1  | <a href="#">2008 Amendment to 2002 Stock Award and Incentive Plan (9)</a>                                                                      |
| 10.2.2  | <a href="#">2021 Amendment to 2002 Stock Award and Incentive Plan (24)</a>                                                                     |
| 10.2.3  | <a href="#">2023 Amendment to 2002 Stock award and Incentive plan (25)</a>                                                                     |
| 10.3.1  | <a href="#">Second Amended and Restated Employment Agreement between the Company and Stephen G. Berman dated as of November 11, 2010 (11)</a>  |
| 10.3.2  | <a href="#">Clarification Letter dated October 20, 2011 with respect to Mr. Berman’s Second Amended and Restated employment agreement (12)</a> |
| 10.3.3  | <a href="#">Amendment Number One dated September 21, 2012 to Mr. Berman’s Second Amended and Restated Employment Agreement (13)</a>            |
| 10.3.4  | <a href="#">Amendment Number Two dated June 7, 2016 to Mr. Berman’s Second Amended and Restated Employment Agreement (21)</a>                  |
| 10.3.5  | <a href="#">Amendment Number Three dated August 9, 2019 to Mr. Berman’s Second Amended and Restated Employment Agreement (26)</a>              |
| 10.3.6* | <a href="#">Amendment Number Four dated November 18, 2019 to Mr. Berman’s Second Amended and Restated Employment Agreement (30)</a>            |
| 10.3.7  | <a href="#">Amendment Number Five dated February 18, 2021 to Mr. Berman’s Second Amended and Restated Employment Agreement (36)</a>            |
| 10.3.8  | <a href="#">Amendment Number Six dated September 27, 2021 to Mr. Berman’s Second Amended and Restated Employment Agreement (34)</a>            |
| 10.3.9  | <a href="#">Amendment Number Seven dated October 25, 2022 to Mr. Berman’s Second Amended and Restated Employment Agreement (28)</a>            |
| 10.3.10 | <a href="#">Amendment Number Eight dated March 30, 2023 to Mr. Berman’s Second Amended and Restated Employment Agreement (32)</a>              |
| 10.4    | <a href="#">Office Lease dated November 18, 1999 between the Company and Winco Maliview Partners (14)</a>                                      |
| 10.5    | <a href="#">Form of Restricted Stock Agreement (10)</a>                                                                                        |
| 10.5.1  | <a href="#">Form of Restricted Stock Unit Agreement (34)</a>                                                                                   |
| 10.6    | <a href="#">Employment Agreement between the Company and John a/k/a Jack McGrath, dated March 4, 2010 (16)</a>                                 |
| 10.6.1  | <a href="#">First Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated August 23, 2011 (16)</a>            |
| 10.6.2  | <a href="#">Second Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated May 15, 2013 (17)</a>              |
| 10.6.3  | <a href="#">Third Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated June 11, 2015 (20)</a>              |
| 10.6.4  | <a href="#">Fourth Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated September 29, 2016 (22)</a>        |
| 10.6.5  | <a href="#">Fifth Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated February 28, 2018 (33)</a>          |
| 10.6.6  | <a href="#">Sixth Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated December 31, 2019 (29)</a>          |
| 10.6.7  | <a href="#">Seventh Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated June 18, 2021 (41)</a>            |
| 10.6.8  | <a href="#">Eighth Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated September 27, 2021 (34)</a>        |

|         |                                                                                                                                                                                                                                                                                                   |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.6.9  | <a href="#">Eighth Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated March 7, 2023 (35)</a>                                                                                                                                                                |
| 10.6.10 | <a href="#">Assignment Agreement dated March 7, 2023 with John a/k/a Jack McGrath (19)</a>                                                                                                                                                                                                        |
| 10.7*   | <a href="#">Letter Agreement dated November 18, 2019 between the Company and John L. Kimble (30)</a>                                                                                                                                                                                              |
| 10.7.1  | <a href="#">First Amendment to Employment Agreement between the Company and John L. Kimble dated February 18, 2021 (36)</a>                                                                                                                                                                       |
| 10.7.2  | <a href="#">Second Amendment to Employment Agreement between the Company and John L. Kimble dated September 27, 2021 (34)</a>                                                                                                                                                                     |
| 10.7.3  | <a href="#">Second Amendment to Employment Agreement between the Company and John L. Kimble dated October 25, 2022 (28)</a>                                                                                                                                                                       |
| 10.8*   | <a href="#">Credit Agreement, dated as of June 2, 2021, by and among JAKKS Pacific, Inc., Disguise, Inc., JAKKS Sales LLC, and Moose Mountain Marketing, Inc., as borrowers, other Loan Parties hereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (23)</a> |
| 10.9*   | <a href="#">First Lien Term Loan Facility Credit Agreement, dated as of June 2, 2021, by and among JAKKS Pacific, Inc. and its subsidiaries parties thereto as borrowers, the lenders party thereto, as lenders, and BSP Agency, LLC, as agent (23)</a>                                           |
| 10.9.1* | <a href="#">First Amendment to First Lien Term Loan Facility Credit Agreement, dated as of June 2, 2021, by and among JAKKS Pacific, Inc. and its subsidiaries parties thereto as borrowers, the lenders party thereto, as lenders, and BSP Agency, LLC, as agent (40)</a>                        |
| 10.10   | <a href="#">Termination of Voting Agreement dated August 3, 2022 between the Company and its Preferred Stockholders (39)</a>                                                                                                                                                                      |
| 10.11   | <a href="#">At Market Issuance Sales Agreement between Registrant and B. Riley Securities, Inc. dated October 20, 2022 (38)</a>                                                                                                                                                                   |
| 14      | <a href="#">Code of Ethics (18)</a>                                                                                                                                                                                                                                                               |
| 19      | <a href="#">Insider Trading Policies and Procedures (**)</a>                                                                                                                                                                                                                                      |
| 21      | <a href="#">Subsidiaries of the Company (**)</a>                                                                                                                                                                                                                                                  |
| 23.1    | <a href="#">Consent of BDO USA, P.C. (**)</a>                                                                                                                                                                                                                                                     |
| 31.1    | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of Stephen G. Berman (**)</a>                                                                                                                                                                                                                  |
| 31.2    | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of John L. Kimble (**)</a>                                                                                                                                                                                                                     |
| 32.1    | <a href="#">Section 1350 Certification of Stephen G. Berman (**)</a>                                                                                                                                                                                                                              |
| 32.2    | <a href="#">Section 1350 Certification of John L. Kimble (**)</a>                                                                                                                                                                                                                                 |
| 97      | <a href="#">Policy Relating to Recovery of Erroneously Awarded Compensation (**)</a>                                                                                                                                                                                                              |
| 101.INS | Inline XBRL Instance Document                                                                                                                                                                                                                                                                     |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                    |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                      |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                       |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                                            |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                     |
| 104     | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)                                                                                                                                                                                                          |

- (1) Filed previously as Appendix 2 to the Company’s Schedule 14A Proxy Statement, filed August 23, 2002, and incorporated herein by reference.
- (2) Filed previously as an annex to the Company’s Schedule 14A filed October 28, 2019 and incorporated herein by reference.
- (3) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed July 9, 2020 and incorporated herein by reference.
- (4) Filed previously as Appendix A to the Company’s Schedule 14A Proxy Statement, filed June 23, 1998, and incorporated herein by reference.
- (5) Filed previously as an exhibit to the Company’s Registration Statement on Form S-8 (Reg. No. 333-90055), filed November 1, 1999, and incorporated herein by reference.
- (6) Filed previously as an exhibit to the Company’s Registration Statement on Form S-8 (Reg. No. 333-40392), filed June 29, 2000, and incorporated herein by reference.
- (7) Filed previously as Appendix B to the Company’s Schedule 14A Proxy Statement, filed June 11, 2001, and incorporated herein by reference.
- (8) Filed previously as an exhibit to the Company’s Registration Statement on Form S-8 (Reg. No. 333-101665), filed December 5, 2002, and incorporated herein by reference.
- (9) Filed previously as an exhibit to the Company’s Schedule 14A Proxy Statement, filed August 20, 2008, and incorporated herein by reference.
- (10) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for its fiscal year ended December 31, 2002, filed March 31, 2003, and incorporated herein by reference.
- (11) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed November 17, 2010, and incorporated herein by reference.
- (12) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed October 21, 2011, and incorporated herein by reference.
- (13) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed September 25, 2012, and incorporated herein by reference.
- (14) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for its fiscal year ended December 31, 1999, filed March 30, 2000, and incorporated herein by reference.
- (15) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed December 21, 2023 and incorporated herein by reference.
- (16) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed August 24, 2011, and incorporated herein by reference.
- (17) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed May 21, 2013, and incorporated herein by reference.
- (18) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for its fiscal year ended December 31, 2003, filed March 15, 2004, and incorporated herein by reference.
- (19) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed March 10, 2023 and incorporated herein by reference.
- (20) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed June 16, 2015 and incorporated herein by reference.
- (21) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed June 9, 2016 and incorporated herein by reference.
- (22) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed September 30, 2016 and incorporated herein by reference.
- (23) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed June 3, 2021 and incorporated herein by reference.
- (24) Filed previously as an annex to the Company’s Schedule 14A filed October 8, 2021 and incorporated herein by reference.
- (25) Filed previously as an annex to the Company’s Revised Schedule 14A filed November 9, 2023 and incorporated herein by reference.
- (26) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed August 9, 2019 and incorporated herein by reference.

- (27) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed November 15, 2022 and incorporated herein by reference.
- (28) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed October 28, 2022 and incorporated herein by reference.
- (29) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed January 2, 2020 and incorporated herein by reference.
- (30) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed November 20, 2019 and incorporated herein by reference.
- (31) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed September 23, 2019 and incorporated herein by reference.
- (32) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed March 31, 2023 and incorporated herein by reference.
- (33) Filed previously as an exhibit to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2018, filed March 18, 2019, and incorporated herein by reference.
- (34) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed October 1, 2021 and incorporated herein by reference.
- (35) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed March 10, 2023 and incorporated herein by reference.
- (36) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed February 19, 2021 and incorporated herein by reference.
- (37) Filed previously as an annex to the Company's Schedule 14A filed March 16, 2021 and incorporated herein by reference.
- (38) Filed previously as an exhibit to the Company's Registration Statement on Form S-3/A filed on October 27, 2022 and incorporated herein by reference.
- (39) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed August 4, 2022 and incorporated herein by reference.
- (40) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed May 2, 2022 and incorporated herein by reference.
- (41) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed June 24, 2021 and incorporated herein by reference.
- (\*) Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K under the Securities Act. The Company agrees to furnish supplementally any omitted schedules to the Securities and Exchange Commission upon request.
- (\*\*) Filed herewith.

**Item 16. Form 10-K Summary**

None.

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.

Dated: March 06, 2025

JAKKS PACIFIC, INC.

By: /s/ STEPHEN G. BERMAN  
Stephen G. Berman  
*Chief Executive 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.

| Signature                                           | Title                                                                                        | Date           |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------|----------------|
| <u>/s/ STEPHEN G. BERMAN</u><br>Stephen G. Berman   | Director and<br>Chief Executive Officer                                                      | March 06, 2025 |
| <u>/s/ JOHN L. KIMBLE</u><br>John L. Kimble         | Chief Financial Officer<br>(Principal Financial Officer and<br>Principal Accounting Officer) | March 06, 2025 |
| <u>/s/ CAROLE LEVINE</u><br>Carole Levine           | Director                                                                                     | March 06, 2025 |
| <u>/s/ JOSHUA CASCADE</u><br>Joshua Cascade         | Director                                                                                     | March 06, 2025 |
| <u>/s/ MATTHEW WINKLER</u><br>Matthew Winkler       | Director                                                                                     | March 06, 2025 |
| <u>/s/ ALEXANDER SHOGHI</u><br>Alexander Shoghi     | Director                                                                                     | March 06, 2025 |
| <u>/s/ LORI MACPHERSON</u><br>Lori MacPherson       | Director                                                                                     | March 06, 2025 |
| <u>/s/ NEILWANTIE MAHABIR</u><br>Neilwantie Mahabir | Director                                                                                     | March 06, 2025 |

## Securities Trading and Insider Information Policy

As a publicly held company, JAKKS must comply with various rules and regulations that govern the shares of stock and other securities of all public companies. Accordingly, all personnel working at JAKKS including full-time, part-time and temporary employees as independent contractors must be aware of and comply with the policies and practices discussed below regarding the purchase and sale of any Company securities.

### Policy Statement

Employees and others acting on JAKKS's behalf are globally prohibited by law from disclosing material, non-public information, or, while knowing material, non-public information about JAKKS or another company, from purchasing or selling securities (e.g., stock, bonds, options or restricted stock units) of JAKKS or the other company. Senior JAKKS executives also must strictly comply with additional securities laws and regulations restricting their ability to trade in JAKKS securities.

### What the Policy Means

Generally, any information that an investor might use to decide whether to buy or sell securities is "material" information. This includes but is not limited to: (1) Company or business unit financial results; (2) earnings per share information; (3) entry into financings including the sale of securities and the issuance of debentures; (4) possible mergers, acquisitions, divestitures or joint ventures; (5) major litigation; (6) significant new licenses or product development or significant changes to existing licenses and products; and (7) expressions of interest to acquire a significant part of the Company.

Information is "non-public" until it has been disclosed to the investing public through established news services (such as Dow Jones News Services) and sufficient time has passed to allow the information to be disseminated through the trading markets; it is reasonable to assume that this has occurred 48 business hours after the release of the information. Violations of this policy could also lead to fines and criminal penalties against individual securities traders.

### What to Avoid

- Buying or selling stock or other securities of any company (including JAKKS) while you are in possession of material, non-public information concerning that company.
- Disclosing material, non-public information about a company (including JAKKS) to any other person, including family members, friends or colleagues, where the information may be used by the other person to profit by trading in the company's securities.
- Recommending or suggesting that anyone else buy, sell or retain the stock or other securities of any company (including JAKKS) while you have material, non-public information about the company.
- Providing access to material non-public information when it does not meet the strict need-to know requirement for work.

If you have any questions about what behavior to avoid, or whether certain information constitutes material non-public information, please contact the Company's Chief Financial Officer or General Counsel.

### Blackout Periods & General Prohibitions on Trading

In addition to the prohibitions stated above specifically affecting those who possess material, non-public information, *all* employees are prohibited from buying or selling securities of JAKKS during certain "Blackout Periods". These Blackout Periods for all employees extend from:

- January 15 until 2 business days following the release of the Company's earnings and related financial information for the previous year;
- April 15 until 2 business days following the release of the earnings and related financial information for the 1st Quarter;
- July 15 until 2 business days following the release of the earnings and related financial information for the 2nd Quarter; and
- October 15 until 2 business days following the release of the earnings and related financial information for the 3rd Quarter.

As a courtesy, the Company's Chief Financial Officer or General Counsel may remind employees of the occurrence of the Blackout Period, but the Blackout Period prohibitions shall govern even in the absence of any such reminder.

In addition, even outside of any Blackout Period, employees may not buy or sell securities of JAKKS (or any other company) while the employee has material, non-public information about JAKKS (or such other company). Employees also should NEVER give or share material, non-public information about JAKKS to anyone outside of the scope of their JAKKS work duties.

Executive Officers and members of the Company's Board of Directors and their family members are prohibited from buying or selling market options or other exchange-traded derivative securities related to the Company and from engaging in short sales of securities of the Company



## JAKKS PACIFIC, INC. SUBSIDIARIES

| Subsidiary                        | Jurisdiction   |
|-----------------------------------|----------------|
| Disguise Limited                  | Hong Kong      |
| Disguise, Inc.                    | Delaware       |
| JAKKS France, S.A.S               | France         |
| JAKKS Pacific (Asia) Limited      | Hong Kong      |
| JAKKS Pacific (Canada), Inc.      | Canada         |
| JAKKS Pacific (HK) Limited        | Hong Kong      |
| JAKKS Pacific (Shenzhen) Limited  | China          |
| JAKKS Pacific (UK) Ltd.           | United Kingdom |
| JAKKS Pacific Germany GmbH        | Germany        |
| JAKKS Pacific Italy S.r.l.        | Italy          |
| JAKKS Pacific Trading Limited     | Hong Kong      |
| JAKKS Sales LLC                   | Delaware       |
| JKP Mexico Holdings, S.A. de C.V. | Mexico         |
| JAKKS Europe B.V.                 | Netherlands    |
| Moose Mountain Marketing, Inc.    | New Jersey     |
| Moose Mountain Toymakers Limited  | Hong Kong      |

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-219128, 333-233665, 333-267958 and 333-278220) of JAKKS Pacific, Inc. (the Company) of our reports dated March 6, 2025, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.  
Los Angeles, California

March 6, 2025

## CERTIFICATIONS

I, Stephen Berman, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of JAKKS Pacific, Inc. ("Company");

2. Based upon my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based upon my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4. The Company'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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based upon such evaluation; and

d) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based upon our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's board of directors:

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 Company'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 Company's internal control over financial reporting.

Date: March 06, 2025

By: /s/ STEPHEN G. BERMAN  
Stephen G. Berman  
Chief Executive Officer

# CERTIFICATIONS

I, John L. Kimble, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of JAKKS Pacific, Inc. ("Company");

2. Based upon my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based upon my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4. The Company'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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based upon such evaluation; and

d) disclosed in this annual report any change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based upon our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's board of directors:

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 Company'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 Company's internal control over financial reporting.

Date: March 06, 2025

By: /s/ JOHN L. KIMBLE  
 John L. Kimble  
 Chief Financial Officer

## Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of JAKKS Pacific, Inc. (“Registrant”) hereby certifies that the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 06, 2025

By: /s/ STEPHEN G. BERMAN

Stephen G. Berman  
*Chief Executive Officer*

## Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of JAKKS Pacific, Inc. (“Registrant”) hereby certifies that the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 06, 2025

By: /s/ JOHN L. KIMBLE  
John L. Kimble  
*Chief Financial Officer*

## JAKKS PACIFIC, INC.

## Clawback Policy

The Board of Directors (the “**Board**”) of JAKKS Pacific, Inc. (the “**Company**”) believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (the “**Policy**”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and Nasdaq Listing Rule 5608 (the “**Listing Standards**”).

**1. Administration**

Except as specifically set forth herein, this Policy shall be administered by the Board or, if so designated by the Board, a committee thereof (the Board or such committee charged with administration of this Policy, the “**Administrator**”). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board, as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority. Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

**2. Definitions**

As used in this Policy, the following definitions shall apply:

- “**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
  - “**Administrator**” has the meaning set forth in Section 1 hereof.
  - “**Applicable Period**” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The “**date on which the Company is required to prepare an Accounting Restatement**” is the earlier to occur of (a) the date the Board concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.
  - “**Covered Executives**” means the Company’s current and former executive officers, as determined by the Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.
  - “**Erroneously Awarded Compensation**” has the meaning set forth in Section 5 of this Policy.
-

- A “**Financial Reporting Measure**” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return (“**TSR**”); revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization (“**EBITDA**”); funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); sales per square foot or same store sales, where sales is subject to an Accounting Restatement; revenue per user, or average revenue per user, where revenue is subject to an Accounting Restatement; cost per employee, where cost is subject to an Accounting Restatement; any of such financial reporting measures relative to a peer group, where the Company’s financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities Exchange Commission.
- “**Incentive-Based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “**received**” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

### 3. Covered Executives; Incentive-Based Compensation

This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange. To clarify, recovery of compensation is not required (1) with respect to any compensation received while an individual was serving in a non-executive capacity prior to becoming an executive officer or (2) from any individual who is an executive officer on the date on which the Company is required to prepare an Accounting Restatement but who was not an executive officer at any time during the performance period for which the incentive-based compensation is received.

### 4. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period.

### 5. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of “**Erroneously Awarded Compensation**” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (“**Nasdaq**”).



## **6. Method of Recoupment**

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Administrator has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq;
- Recovery would violate home country law of the issuer where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law of the issuer, the Administrator must satisfy the applicable opinion and disclosure requirements of Rule 10D-1 and the Listing Standards; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## **7. No Indemnification of Covered Executives; Expenses**

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

In the event the Company incurs any expenses in the enforcement of any recovery under this Policy, the Covered Executive shall be responsible to reimburse the Company for any expenses it incurred, including without limitation reasonable legal fees, and such fees and expenses shall be added to, and collected with, the amount to be clawed back hereunder.

## **8. Administrator Indemnification**

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

## **9. Effective Date; Retroactive Application**

This Policy shall be effective as of December 1, 2023 (the “**Effective Date**”). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

## **10. Amendment; Termination**

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company’s securities are listed.

#### **11. Other Recoupment Rights; Company Claims**

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

#### **12. Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

#### **13. Exhibit Filing Requirement**

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's Annual Report on Form 10-K.

#### **14. Miscellaneous**

The validity, interpretation, construction, and performance of this policy shall be governed by the laws of the State of California without giving effect to the conflicts of laws principles thereof.

The exclusive jurisdiction in connection with any suit, action or proceeding arising out of or relating to this Policy shall be the courts of the State of California and the United States District Court for the Central District of California. Service of any summons, complaint, notice or other process relating to such proceeding may be effected in the manner provided by the appropriate clause of such Covered Executive's employment agreement. ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS POLICY SHALL BE HEARD WITHOUT A JURY.

In the event the Covered Executive does not cooperate with the Company and promptly return to the Company any amounts determined to be clawed back under this Policy, notwithstanding any provision of any employment agreement to the contrary, the Covered Executive may be terminated, and such termination deemed to be with "Cause" as such term is defined in such Covered Executive's employment agreement.