

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **April 26, 2022**

JAKKS PACIFIC, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-28104
(Commission
File Number)

95-4527222
(IRS Employer
Identification No.)

2951 28th Street, Santa Monica, California
(Address of principal executive offices)

90405
(Zip Code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$.001 par value	JAKK	NASDAQ Global Select Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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.

Item 1.01. Entry into a Material Definitive Agreement.

On April 26, 2022 the Company entered into a First Amendment to First Lien Term Loan Facility Credit Agreement by and among BSP AGENCY, LLC, as administrative agent for each of the Lenders (in such capacity, together with its successors and permitted assigns in such capacity, "Agent"), the financial institutions party hereto as lenders (the "Lenders"), JAKKS PACIFIC, INC., a Delaware corporation ("JAKKS"), the Subsidiaries of JAKKS identified on the signature pages hereof as "Borrowers", and each other Loan Party hereto the "Amendment").

The amendment provides, among other things, that the Company must Maintain Qualified Cash of at least (such applicable amount, the "Applicable Minimum Cash Amount"): (a) at all times after the Closing Date and prior to the First Amendment Effective Date, \$20,000,000; (b) at all times during the period commencing on the First Amendment Effective Date through and including June 30, 2022, \$15,000,000; and (c) at all times on and after July 1, 2022, through September 30, 2022, \$17,500,000; 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 pursuant to Section 5.1(a), then the amount set forth in this clause (c) shall be increased to \$20,000,000 on the third (3rd) Business Day following the due date of such financial statements. Notwithstanding the foregoing, the Applicable Minimum Cash Amount shall be reduced by \$1,000,000 for every \$5,000,000 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 \$15,000,000.

Capitalized terms used herein shall the meanings assigned them in the Amendment.

The foregoing descriptions of the Amendment is qualified in its entirety by reference to the Amendment attached as an exhibit to this Form 8-K and incorporated by reference in this Item 1.01.

Item 2.02. Results of Operations and Financial Condition.

On April 28, 2022, we issued a press release announcing our first quarter results for 2022. Following the issuance of the press release, on April 28, 2022 at 5:00 p.m. ET / 2:00 p.m. PT, we will host a teleconference and webcast for analysts, investors, media and others to discuss the results and other business topics. Such financial information included in the Exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

Exhibit	Description
10.1*	First Amendment to First Lien Term Loan Facility Credit Agreement, dated as of April 26, 2022, 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
99.1	April 28, 2022 First Quarter 2022 Earnings Press Release
104	Cover Page Interactive Data File (formatted as Inline XBRL)

* 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

JAKKS PACIFIC, INC.

Dated: April 29, 2022

By: /s/ JOHN L. KIMBLE
John L. Kimble, CFO

FIRST AMENDMENT TO FIRST LIEN TERM LOAN FACILITY CREDIT AGREEMENT

This **FIRST AMENDMENT TO FIRST LIEN TERM LOAN FACILITY CREDIT AGREEMENT** (this “Amendment”), dated as of April 26, 2022 (the “First Amendment Effective Date”), is entered into by and among BSP AGENCY, LLC, as administrative agent for each of the Lenders (in such capacity, together with its successors and permitted assigns in such capacity, “Agent”), the financial institutions party hereto as lenders (the “Lenders”), JAKKS PACIFIC, INC., a Delaware corporation (“JAKKS”), the Subsidiaries of JAKKS identified on the signature pages hereof as “Borrowers”, and each other Loan Party party hereto.

RECITALS

A. The Borrowers, the Lenders and Agent have previously entered into that certain First Lien Term Loan Facility Credit Agreement dated as of June 2, 2021 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), pursuant to which the Lenders have made certain loans and financial accommodations available to Borrowers. Terms used herein without definition shall have the meanings ascribed to them in the Credit Agreement.

B. The Borrowers have requested and the Lenders and Agent agree to make certain amendments to the Credit Agreement as more specifically set forth herein.

C. The Lenders and Agent are willing to amend the terms of the Credit Agreement on the terms and subject to the conditions expressly set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to Credit Agreement. Effective as of the First Amendment Effective Date, the Credit Agreement shall be amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following defined term in appropriate alphabetical order:

“First Amendment Effective Date” means April 26, 2022.

(b) Clause (b) of Article 7 of the Credit Agreement is hereby amended and restated in its entirety as follows:

(b) **Minimum Cash**. Maintain Qualified Cash of at least (such applicable amount, the “Applicable Minimum Cash Amount”): (a) at all times after the Closing Date and prior to the First Amendment Effective Date, \$20,000,000; (b) at all times during the period commencing on the First Amendment Effective Date through and including June 30, 2022, \$15,000,000; and (c) at all times on and after July 1, 2022,

\$17,500,000; *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 pursuant to Section 5.1(a), then the amount set forth in this clause (c) shall be increased to \$20,000,000 on the third (3rd) Business Day following the due date of such financial statements. Notwithstanding the foregoing, the Applicable Minimum Cash Amount shall be reduced by \$1,000,000 for every \$5,000,000 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 \$15,000,000.

(c) Exhibit D of the Credit Agreement is hereby amended and restated in its entirety as attached hereto as Exhibit D.

2. Conditions Precedent to Effectiveness of This Amendment. This Amendment shall become effective as of the First Amendment Effective Date upon all of the following conditions precedent shall have been satisfied in the sole discretion of Agent or waived by Agent:

(a) Amendment. Agent shall have received this Amendment, fully executed in a sufficient number of counterparts for distribution to all parties.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on the First Amendment Effective Date.

(c) Representations and Warranties. The representations and warranties of the Loan Parties set forth herein, in the Credit Agreement and in the other Loan Documents must be true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to “material” or “Material Adverse Effect”) with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to “material” or “Material Adverse Effect”) as of such earlier date).

(d) Payment of Fees and Expenses. The Borrowers shall have paid all unpaid fees, costs and expenses payable to Agent and the Lenders (including, without limitation, attorneys’ fees) in connection with or relating to this Amendment or that are otherwise payable pursuant to Section 2.9 or Section 15.7 of the Credit Agreement; provided that in the case of such costs, expenses and attorneys’ fees, the Borrowers shall have received an invoice one (1) Business Day in advance of the First Amendment Effective Date.

3. Representations and Warranties. To induce Agent and the Lenders to enter into this Amendment, each Borrower represents and warrants to Agent and the Lenders that, both before and after giving effect to this Amendment:

(a) Organization. Each Loan Party is validly existing and in good standing under the laws of the jurisdiction of its organization; and each Loan Party is duly qualified to do business in each jurisdiction where, because of the nature of its activities or properties, such

qualification is required, except for such jurisdictions where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect.

(b) Authorization; No Conflict. Each Borrower and each other Loan Party is duly authorized to execute and deliver this Amendment and each other Loan Document to which it is a party, each Borrower is duly authorized to borrow monies thereunder, and each Borrower and each other Loan Party is duly authorized to perform its Obligations under each Loan Document to which it is a party. The execution, delivery and performance by each Borrower of this Amendment and by each Borrower and each other Loan Party of each Loan Document to which it is a party, and the borrowings by the Borrowers thereunder, do not and will not (i) require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect and the filing of applicable Uniform Commercial Code financing statements and other required filings), (ii) conflict with (A) any provision of applicable law, (B) the charter, by-laws or other organizational documents of any Borrower or any other Loan Party, or (C) any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon any Borrower or any other Loan Party or any of their respective properties, in each such case of this clause (C), other than conflicts which would not reasonably be expected to have a Material Adverse Effect, or (iii) require, or result in, the creation or imposition of any Lien on any asset of any Borrower, any Subsidiary or any other Loan Party (other than Liens in favor of Agent created pursuant to the Collateral Documents).

(c) Enforceability. Each of this Amendment and each other Loan Document to which any Borrower or any other Loan Party is a party is the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

(d) Representations and Warranties. The representations and warranties of the Borrowers or any other Loan Party set forth herein, in the Credit Agreement and the other Loan Documents are true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to "material" or "Material Adverse Effect") with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to "material" or "Material Adverse Effect") as of such earlier date).

(e) No Default. No event has occurred and is continuing that constitutes a Default or Event of Default as of the date hereof or would immediately result from the execution and delivery of this Amendment.

4. Release.

(a) In consideration of the agreements of Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrowers and each other Loan Party, on behalf of itself and its successors,

assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably release, remise and forever discharge Agent and the Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, controversies, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which such Loan Party or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arose at any time immediately prior to the First Amendment Effective Date under the Credit Agreement or any of the other Loan Documents or the transactions thereunder or related thereto. The foregoing to the contrary notwithstanding, the foregoing shall not apply to any such Claims that arise from the gross negligence or willful misconduct of any Releasee.

(b) The Borrowers and each other Loan Party understand, acknowledge and agree that its release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) The Borrowers and each other Loan Party agree that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered arising from any circumstances, action, cause or thing whatsoever which arose at any time immediately prior to the First Amendment Effective Date under the Credit Agreement or any of the other Loan Documents or the transactions thereunder or related thereto shall affect in any manner the final, absolute and unconditional nature of the release set forth above. The provisions of this Section 4 shall survive the termination of this Amendment, the Credit Agreement, the other Loan Documents and payment in full of the Obligations.

5. Choice of Law. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

6. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Receipt by facsimile or other electronic transmission of any executed signature page to this Amendment shall constitute effective delivery of such signature page. This Amendment to the extent signed and delivered by means of a facsimile machine or other electronic transmission (including "pdf"), shall be treated in all manner and respects and for all purposes as an original agreement or amendment and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

7. Reference to and Effect on the Loan Documents.

(a) Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby. This Amendment shall constitute a Loan Document.

(b) Except as specifically set forth in this Amendment, the Credit Agreement and all other Loan Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of each Loan Party to Agent and Lenders without defense, offset, claim or contribution. Except as expressly amended herein, Agent and Lenders reserve all rights, privileges and remedies under the Loan Documents.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Agent or any Lender under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents. The execution, delivery and effectiveness of this Amendment shall not, directly or indirectly, operate as a waiver of any right, power or remedy of Lenders or Agent under any Loan Documents or a waiver of, or agreement to forbear by Agent or Lenders with respect to, any Default or Event of Default, or constitute a course of dealing or other basis for altering any obligation of any Loan Party or any other Person or any right, privilege or remedy of Agent or Lenders under the Credit Agreement or any other Loan Document.

8. Ratification. Each Loan Party hereby restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement, as amended hereby, and the Loan Documents effective as of the date hereof. Each Loan Party expressly acknowledges and agrees that all collateral, security interests, liens and mortgages, and rights of setoff heretofore or hereafter granted under the Loan Documents to Agent, for the benefit of Agent and Lenders, including, without limitation, such collateral, security interests, liens and mortgages, and rights of setoff granted under the Credit Agreement and all other Loan Documents, extend to and cover all of the obligations of Loan Parties to Agent and the Lenders, now existing or hereafter arising, including, without limitation, those arising in connection with the Credit Agreement, as amended by this Amendment, in each case upon the terms set forth in such Loan Documents, all of which security interests, liens and mortgages, and rights of setoff are hereby ratified, reaffirmed, confirmed and approved.

9. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

10. Integration. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

BORROWERS:

JAKKS PACIFIC, INC.

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Chief Operating Officer

DISGUISE, INC.

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Chief Operating Officer

JAKKS SALES LLC

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Chief Operating Officer

MAUI, INC

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Chief Operating Officer

MOOSE MOUNTAIN MARKETING, INC.

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Chief Operating Officer

OTHER LOAN PARTIES:

JAKKS PACIFIC (H.K.) LIMITED

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

JAKKS PACIFIC (ASIA) LIMITED

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

MOOSE MOUNTAIN TOYMAKERS LIMITED

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

DISGUISE LIMITED

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

JAKKS EUROPE B.V.

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

JAKKS PACIFIC (UK) LTD.

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

JAKKS PACIFIC (CANADA), INC.

By: /s/ John Joseph McGrath IV
Name: John Joseph McGrath IV
Title: Director

[Signature Page to First Amendment to First Lien Term Loan Facility Credit Agreement]

AGENT:

BSP Agency, LLC, as Agent

By: Benefit Street Partners L.L.C, its sole Member

By: /s/ Michael Frick

Name: Michael Frick

Title: Authorized Signatory

[Signature Page to First Amendment to First Lien Term Loan Facility Credit Agreement]

LENDERS:

Benefit Street Partners Debt Fund IV 2019
Leverage SPV L.P.
By: Benefit Street Partners L.L.C., its portfolio
manager

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners Debt Fund IV 2019
Leverage (Non-US) SPV L.P.
By: Benefit Street Partners L.L.C., its portfolio
manager

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

BSP SMA-T 2020 SPV L.P.
By: BSP SMA-T 2020 SPV GP L.L.C.,
its general partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signer

Benefit Street Partners Capital Opportunity Fund
SPV LLC
By: Benefit Street Partners L.L.C., its collateral
manager

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners Capital Opportunity Fund II
SPV-1 L.P.

By: Benefit Street Partners L.L.C., its collateral
manager

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners SMA LM LP

By: Benefit Street Partners SMA LM GP L.P., its
general partner

By: Benefit Street Partners SMA LM Ultimate GP
LLC, its general partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners SMA-C II SPV L.P.

By: Benefit Street Partners L.L.C., its portfolio
manager

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners SMA-K SPV L.P.

By: Benefit Street Partners L.L.C., its collateral
manager

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners L.L.C,
acting on behalf of, and in its capacity as investment
adviser of, BSP Unlevered Lux SOF II (Senior
Secured Opportunities) Fund SCSp

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signer

BSP Unlevered Non-US Master SOF II (Senior
Secured Opportunities) Fund L.P.
By: BSP SOF II (Senior Secured Opportunities) GP
L.P.,
its general partner
By: Benefit Street Partners Senior Secured
Opportunities Fund II Ultimate GP L.L.C.,
its general partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signer

BSP SOF II SPV L.P.
By: BSP SOF II SPV GP LLC, its general partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signer

BSP SOF II SPV-21 LP
By: BSP SOF II SPV-21 GP LLC, its general
partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

Benefit Street Partners SMA-L L.P.
By: Benefit Street Partners SMA-L GP L.P., its
general partner
By: BSP Ultimate GP Ltd, its general partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signer

BSP SOF II Cayman SPV-21 LP
By: BSP SOF II Cayman SPV-21 GP LLC, its
general partner

By: /s/ Michael Frick
Name: Michael Frick
Title: Authorized Signatory

[Signature Page to First Amendment to First Lien Term Loan Facility Credit Agreement]

EXHIBIT D

[FORM OF] COMPLIANCE CERTIFICATE

[on Administrative Borrower's letterhead]

To: BSP Agency, LLC
9 West 57th Street,
New York, New York 10019 Attn: Richa Tandon

Re: Compliance Certificate dated _____, 20__

Ladies and Gentlemen:

Reference is hereby made to that certain First Lien Term Loan Facility Credit Agreement, dated as of June 2, 2021 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among JAKKS Pacific, Inc., a Delaware corporation (the "Administrative Borrower"), the Subsidiaries of Administrative Borrower identified on the signature pages thereof as "Borrowers", and those additional entities that become parties thereto as Borrowers in accordance with the terms thereof by executing the form of Joinder attached thereto as Exhibit E (Administrative Borrower and each of the foregoing, each, a "Borrower" and individually and collectively, jointly and severally, the "Borrowers"), the lenders identified on the signature pages thereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender" and, collectively, the "Lenders"), and BSP Agency, LLC, a Delaware limited liability company, as administrative agent for each member of the Lender Group (in such capacity, together with its successors and assigns in such capacity, "Agent"). Capitalized terms used herein, but not specifically defined herein, shall have the meanings ascribed to them in the Credit Agreement.

Pursuant to Section 5.1 of the Credit Agreement, the undersigned [Chief Executive Officer/Chief Financial Officer] of Administrative Borrower hereby certifies, on behalf of the Administrative Borrower and each of the other Borrowers, as of the date hereof that:

1. The financial information of Borrowers and their Subsidiaries furnished in Schedule 1 attached hereto, has been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for year-end audit adjustments and the lack of footnotes), and fairly presents in all material respects the financial condition of Borrowers and their Subsidiaries as of the date set forth therein.
 2. Such officer has reviewed the terms of the Credit Agreement and has made, or caused to be made under his/her supervision, a review in reasonable detail of the transactions and financial condition of Borrowers and their Subsidiaries during the accounting period covered by the financial statements delivered pursuant to Section 5.1 of the Credit Agreement.
 3. Such review has not disclosed the existence on and as of the date hereof, and the undersigned does not have knowledge of the existence as of the date hereof, of any event or condition that constitutes a Default or Event of Default, except for such conditions or events listed on Schedule 2 attached hereto, in each case specifying the nature and period of existence thereof and what action Borrowers and/or their Subsidiaries have taken, are taking, or propose to take with respect thereto.
-

4. Except as set forth on Schedule 3 attached hereto, the representations and warranties of Borrowers and their Subsidiaries set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date).

5. As of the date hereof, each Borrower and their Subsidiaries are in compliance with the applicable covenants contained in Section 7 of the Credit Agreement as demonstrated on Schedule 4 hereof.

[Signature page follows]

ADMINISTRATIVE BORROWER:

JAKKS PACIFIC, INC.,
a Delaware corporation

By: _____

Name:

Title:

SCHEDULE 1

Financial Information

SCHEDULE 2

Default or Event of Default

SCHEDULE 3

Representations and Warranties

SCHEDULE 4

Financial Covenants

Each Borrower covenants and agrees that, until the termination of all of the Term Loan Commitments and the payment in full of the Obligations, Borrowers will:

1. **Total Net Leverage Ratio.** Not permit the Total Net Leverage Ratio, as of the last day of each fiscal quarter of the Borrower and their Subsidiaries commencing with the fiscal quarter ending June 30, 2021, to be greater than (a) for the period commencing with the fiscal quarter ending June 30, 2021 through (and including) the fiscal quarter ending December 31, 2021, 4.00:1.00, (b) for the period commencing with the fiscal quarter ending March 31, 2022 through (and including) the fiscal quarter ending December 31, 2022, 3.75:1.00, (c) for the period commencing with the fiscal quarter ending March 31, 2023 through (and including) the fiscal quarter ending June 30, 2023, 3.50:1.00, (d) for the period commencing with the fiscal quarter ending September 30, 2023 through (and including) the fiscal quarter ending June 30, 2024, 3.25:1.00 and (e) for the period commencing with the fiscal quarter ending September 30, 2024 and on the last day of each fiscal quarter thereafter, 3.00:1.00, in each case tested with respect to the Borrowers and their Subsidiaries.

Total Net Leverage Ratio as of [●]: [●]:1.00

In Compliance: [Yes/No]

2. **Minimum Cash.** Maintain Qualified Cash of at least (such applicable amount, the “Applicable Minimum Cash Amount”): (a) at all times after the Closing Date and prior to the First Amendment Effective Date, \$20,000,000; (b) at all times during the period commencing on the First Amendment Effective Date through and including June 30, 2022, \$15,000,000; and (c) at all times on and after July 1, 2022, \$17,500,000; *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 pursuant to Section 5.1(a), then the amount set forth in this clause (c) shall be increased to

\$20,000,000 on the third (3rd) Business Day following the due date of such financial statements. Notwithstanding the foregoing, the Applicable Minimum Cash Amount shall be reduced by \$1,000,000 for every \$5,000,000 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 \$15,000,000.

Minimum Cash as of [●]: \$[●]

In Compliance: [Yes/No]



JAKKS PACIFIC REPORTS FIRST QUARTER 2022 FINANCIAL RESULTS
Highest Q1 Net Sales & Earnings per Share in 14 years

SANTA MONICA, Calif., April 28, 2022 – JAKKS Pacific, Inc. [NASDAQ: JAKK] today reported financial results for the first quarter ended March 31, 2022.

First Quarter 2022 Overview:

- Net sales were \$120.9 million, up 44% compared to \$83.8 million last year
- Highest Q1 net sales since 2008
- Costume business more than doubled vs. Q1 2021
- Net loss attributable to common stockholders of \$4.2 million (or \$0.43 per share) compared to a net loss attributable to common stockholders of \$24.4 million (or \$4.54 per share) in Q1 2021
- Adjusted net loss attributable to common stockholders (a non-GAAP measure) of \$2.6 million (or \$0.28 per share), compared to an adjusted net loss attributable to common stockholders of \$9.5 million (or \$1.77 per share) in Q1 2021
- Adjusted EBITDA (a non-GAAP measure) was \$1.9 million, compared to negative \$2.4 million in the first quarter of 2021
- Trailing twelve month adjusted EBITDA of \$53.6 million (8.1% of net sales) up 36% from \$39.5 million (7.4% of net sales) in the trailing twelve months ended March 2021

Management Commentary

“Our 2022 is off to an exceptional start” said Stephen Berman, JAKKS Chairman and CEO. “For several years we have talked about maintaining a disciplined focus on growing evergreen toy categories and brands to deliver consistently improving, yet sustainable, results. In addition, this approach can also benefit from the excitement and enthusiasm new entertainment content can generate. As the year begins, we are starting to see strong results as more consumers discover and embrace films like Sonic the Hedgehog® 2 and Disney’s Encanto™, and want to deepen their relationships with the characters by engaging with a broad array of our toys, Halloween Costumes, day-to-day role play and many other related products.

“While that endorsement and enthusiasm is exciting and reaffirming for the teams who bring the product ranges to market, I am equally excited to share that in addition to the growth of these two theatrical releases, the balance of the Toy/Consumer Products business was up mid-single digit percentage in the quarter compared to prior year. We appreciate the continued support from all of our stakeholders in working together to overcome continuing pandemic-driven manufacturing and supply-chain challenges to deliver these results.

“As anticipated, higher inbound freight expenses continued to weigh down gross margins, as we expect to be the case for the balance of the year. Nonetheless, tight cost controls paired with our higher revenues still generated positive Q1 EBITDA for the first time since 2008. We have a lot of work to do as we continue to navigate the unpredictable nature of current events, but are excited by the opportunities we see ahead of us this year and thinking ahead to 2023.”

First Quarter 2022 Results

Net sales for the first quarter 2022 were \$120.9 million up 44% versus \$83.8 million last year, led by strong growth in Action Play, Dolls/Dress-up and Costumes offset by slight weakness in our Outdoor/Seasonal business.

Gross profit in the first quarter of 2022 was \$29.9 million or 24.7% of net sales, compared to \$26.1 million or 31.1% of net sales in the prior year. Improved product margins and lower royalty expense were not enough to offset a significant year-over-year increase in ocean freight and related expenses. SG&A costs were \$30.7 million, up from \$28.8 million in the prior year. As a percent of net sales, SG&A costs were 25.4%, down from 34.4% in the prior year.

The net loss attributable to common stockholders was \$4.2 million, or \$0.43 per basic and diluted share, compared to a loss of \$24.4 million, or \$4.54 per basic and diluted share in the first quarter of 2021. Net loss in the first quarter of 2021 included several adjustments, including those related to changes in the fair value of convertible senior notes and preferred stock derivative liability, and other adjustments. Excluding such adjustments in both years, the adjusted net loss attributable to common stockholders (a non-GAAP measure) was a loss of \$2.6 million, or \$0.28 per basic and diluted share in the first quarter of 2022 compared to a loss of \$9.5 million or \$1.77 per basic and diluted share in the first quarter of 2021. Adjusted EBITDA (a non-GAAP measure) was \$1.9 million for the first quarter of 2022, compared to negative \$2.4 million a year ago. For the trailing twelve months ended March 31, 2022, adjusted EBITDA was \$53.6 million, up 36% compared to \$39.5 million for the trailing twelve months ended March 31, 2021. (See note below on “Use of Non-GAAP Financial Information.”)

Cash and Cash Equivalents

The Company’s cash and cash equivalents (including restricted cash) totaled \$39.2 million as of March 31, 2022 compared to \$45.3 million as of December 31, 2021, and \$84.1 million as of March 31, 2021.

Use of Non-GAAP Financial Information

In addition to the preliminary results reported in accordance with U.S. GAAP included in this release, the Company has provided certain non-GAAP financial information including Adjusted EBITDA which is a non-GAAP metric that excludes various items that are detailed in the financial tables and accompanying footnotes reconciling GAAP to non-GAAP results contained in this release. Management believes that the presentation of these non-GAAP financial measures provides useful information to investors because the information may allow investors to better evaluate ongoing business performance and certain components of the Company’s results. In addition, the Company believes that the presentation of these financial measures enhances an investor’s ability to make period-to-period comparisons of the Company’s operating results. This information should be considered in addition to the results presented in accordance with GAAP, and should not be considered a substitute for the GAAP results. The Company has reconciled the non-GAAP financial information included in this release to the nearest GAAP measures. See the attached “Reconciliation of Non-GAAP Financial Information.” “Total liquidity” is calculated as cash and cash equivalents, plus availability under the Company’s \$67.5 million revolving credit facility.

Conference Call Live Webcast

JAKKS Pacific will webcast its first quarter earnings call at 5:00 p.m. Eastern Time/2:00 p.m. Pacific Time today. To listen to the live webcast and access the accompanying presentation slides, go to www.jakks.com/investors and click on the earnings website link under the Presentations tab at least 10 minutes prior to register, download and install any necessary audio software.

A replay of the call will be available on JAKKS’ website approximately two hours following completion of the call through May 5, 2022 ending at 8:00 p.m. Eastern Time/5:00 p.m. Pacific Time. The playback can be accessed by calling (888) 859-2056 or (404) 537-3406 for international callers, with passcode “3951819” for both playback numbers.

About JAKKS Pacific, Inc.

JAKKS Pacific, Inc. is a leading designer, manufacturer and marketer of toys and consumer products sold throughout the world, with its headquarters in Santa Monica, California. JAKKS Pacific’s popular proprietary brands include; Creepy Crawlers®, Eyeclips®, Fly Wheel®, Perfectly Cute®, ReDo Skateboard Co.®, WeeDo™, Xtreme Power®, Disguise®, Maui®, Moose Mountain®, Kids Only!®; a wide range of entertainment-inspired products featuring premier licensed properties; and C’est Moi®, a New Generation of Clean Beauty®. Through JAKKS Cares, the company’s commitment to philanthropy, JAKKS is helping to make a positive impact on the lives of children. Visit us at www.jakks.com and follow us on Instagram (@jakkstoys), Twitter (@jakkstoys) and Facebook (JAKKS Pacific).

Forward Looking Statements

This press release may contain “forward-looking statements” (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates and projections about JAKKS Pacific’s business based partly on assumptions made by its management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such statements due to numerous factors, including, but not limited to, those described above, changes in demand for JAKKS Pacific’s products, product mix, the timing of customer orders and deliveries, the impact of competitive products and pricing, or that the Recapitalization transaction or any future transactions will result in future growth or success of JAKKS. The “forward-looking statements” contained herein speak only as of the date on which they are made, and JAKKS undertakes no obligation to update any of them to reflect events or circumstances after the date of this release.

CONTACT:

JAKKS Pacific Investor Relations

(424) 268-9567; Lucas Natalini, investors@jakks.net

JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited)		December 31,
	2022	March 31, 2021	2021
	(In thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 39,225	\$ 80,406	\$ 44,521
Restricted cash	-	3,653	811
Accounts receivable, net	103,730	79,657	147,394
Inventory	85,306	36,653	83,954
Prepaid expenses and other assets	17,412	23,480	10,877
Total current assets	<u>245,673</u>	<u>223,849</u>	<u>287,557</u>
Property and equipment	124,289	115,068	121,945
Less accumulated depreciation and amortization	<u>110,345</u>	<u>102,043</u>	<u>108,796</u>
Property and equipment, net	13,944	13,025	13,149
Operating lease right-of-use assets, net	17,089	22,283	16,950
Goodwill	35,083	35,083	35,083
Intangibles and other assets, net	3,980	4,165	4,308
Total assets	<u>\$ 315,769</u>	<u>\$ 298,405</u>	<u>\$ 357,047</u>
Liabilities, Preferred Stock and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 36,439	\$ 25,262	\$ 50,237
Payable to Meisheng	15,511	6,045	15,894
Accrued expenses	30,596	28,233	47,071
Reserve for sales returns and allowances	39,375	39,499	46,285
Income taxes payable	1,205	175	1,004
Short term operating lease liabilities	11,014	10,109	10,477
Short term debt, net	2,475	6,721	2,104
Total current liabilities	<u>136,615</u>	<u>116,044</u>	<u>173,072</u>
Long term operating lease liabilities	7,399	14,475	8,039
Debt, non-current portion, net	92,934	154,960	93,415
Preferred stock derivative liability	21,927	15,438	21,282
Income taxes payable	215	947	215
Deferred income taxes, net	51	123	51
Total liabilities	<u>259,141</u>	<u>301,987</u>	<u>296,074</u>
Preferred stock accrued dividends	3,420	2,066	3,074
Stockholders' equity:			
Common stock, \$.001 par value	10	6	10
Additional paid-in capital	272,821	227,113	272,941
Accumulated deficit	(207,240)	(221,509)	(203,431)
Accumulated other comprehensive loss	(13,614)	(12,504)	(12,952)
Total JAKKS Pacific, Inc. stockholders' equity	<u>51,977</u>	<u>(6,894)</u>	<u>56,568</u>
Non-controlling interests	1,231	1,246	1,331
Total stockholders' equity	<u>53,208</u>	<u>(5,648)</u>	<u>57,899</u>
Total liabilities, preferred stock and stockholders' equity	<u>\$ 315,769</u>	<u>\$ 298,405</u>	<u>\$ 357,047</u>

Supplemental Balance Sheet and Cash Flow Data (Unaudited)

<u>Key Balance Sheet Data:</u>	March 31,	
	2022	2021
Accounts receivable, net days of sales outstanding (DSO)	77	86
Inventory Turnover (DSI)	84	57

<u>Condensed Cash Flow Data:</u>	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Cash flows used in operating activities	\$ (2,736)	\$ (6,961)
Cash flows used in investing activities	(1,817)	(1,451)
Cash flows used in financing activities and other	(1,554)	(222)
Decrease in cash, cash equivalents and restricted cash	<u>\$ (6,107)</u>	<u>\$ (8,634)</u>
Capital expenditures	<u>\$ (1,817)</u>	<u>\$ (1,472)</u>

JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,		Δ (%)
	2022	2021	
	(In thousands, except per share data)		
Net sales	\$ 120,881	\$ 83,843	44%
Less: Cost of sales			
Cost of goods	72,058	44,049	64
Royalty expense	17,690	12,511	41
Amortization of tools and molds	1,216	1,189	2
Cost of sales	90,964	57,749	58
Gross profit	29,917	26,094	15
Direct selling expenses	4,902	6,802	(28)
General and administrative expenses	25,153	21,411	17
Depreciation and amortization	596	604	(1)
Selling, general and administrative expenses	30,651	28,817	6
Loss from operations	(734)	(2,723)	(73)
Other income (expense):			
Other income (expense), net	86	55	56
Change in fair value of convertible senior notes	-	(9,047)	(100)
Change in fair value of preferred stock derivative liability	(645)	(7,375)	(91)
Interest income	3	2	50
Interest expense	(2,202)	(4,875)	(55)
Loss before provision for income taxes	(3,492)	(23,963)	(85)
Provision for income taxes	417	88	374
Net loss	(3,909)	(24,051)	(84)
Net income (loss) attributable to non-controlling interests	(100)	35	nm
Net loss attributable to JAKKS Pacific, Inc.	\$ (3,809)	\$ (24,086)	(84)%
Net loss attributable to common stockholders	\$ (4,155)	\$ (24,412)	(83)%
Loss per share - basic and diluted	\$ (0.43)	\$ (4.54)	
Shares used in loss per share - basic and diluted	9,588	5,379	

	Three Months Ended March 31,		Δ bps Fav/(Unfav)
	2022	2021	
Net sales	100.0%	100.0%	-
Less: Cost of sales			
Cost of goods	59.6	52.5	(707)
Royalty expense	14.6	15.0	29
Amortization of tools and molds	1.1	1.4	41
Cost of sales	75.3	68.9	(637)
Gross profit	24.7	31.1	(637)
Direct selling expenses	4.1	8.1	406
General and administrative expenses	20.8	25.6	473
Depreciation and amortization	0.5	0.7	23
Selling, general and administrative expenses	25.4	34.4	901
Loss from operations	(0.7)	(3.3)	265
Other income (expense):			
Other income (expense), net	0.1	0.1	
Change in fair value of convertible senior notes	-	(10.8)	
Change in fair value of preferred stock derivative liability	(0.5)	(8.8)	
Interest income	-	-	
Interest expense	(1.8)	(5.8)	
Loss before provision for income taxes	(2.9)	(28.6)	
Provision for income taxes	0.3	0.1	
Net loss	(3.2)	(28.7)	
Net income (loss) attributable to non-controlling interests	(0.1)	-	
Net loss attributable to JAKKS Pacific, Inc.	(3.1)%	(28.7)%	
Net loss attributable to common stockholders	(3.4)%	(29.1)%	

JAKKS Pacific, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Information (Unaudited)

Reconciliation of GAAP to Non-GAAP measures:

This press release and accompanying schedules provide certain information regarding Adjusted EBITDA and Adjusted Net Income (Loss), which may be considered non-GAAP financial measures under the rules of the Securities and Exchange Commission. The non-GAAP financial measures included in the press release are reconciled to the corresponding GAAP financial measures below, as required under the rules of the Securities and Exchange Commission regarding the use of non-GAAP financial measures. We define Adjusted EBITDA as income (loss) from operations before depreciation, amortization and adjusted for certain non-recurring and non-cash charges, such as reorganization expenses and restricted stock compensation expense. Net income (loss) is similarly adjusted and tax-effected to arrive at Adjusted Net Income (Loss). Adjusted EBITDA and Adjusted Net Income (Loss) are not recognized financial measures under GAAP, but we believe that they are useful in measuring our operating performance. We believe that the use of the non-GAAP financial measures enhances an overall understanding of the Company's past financial performance, and provides useful information to the investor by comparing our performance across reporting periods on a consistent basis.

Investors should not consider these measures in isolation or as a substitute for net income, operating income, or any other measure for determining the Company's operating performance that is calculated in accordance with GAAP. In addition, because these measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies.

	Three Months Ended March 31,		Δ (\$)
	2022	2021	
	(In thousands, except per share data)		
EBITDA and Adjusted EBITDA			
Net loss	\$ (3,909)	\$ (24,051)	\$ 20,142
Interest expense	2,202	4,875	(2,673)
Interest income	(3)	(2)	(1)
Provision for income taxes	417	88	329
Depreciation and amortization	1,812	1,793	19
EBITDA	519	(17,297)	17,816
Adjustments:			
Other (income) expense, net	(86)	(55)	(31)
Restricted stock compensation expense	870	382	488
Change in fair value of convertible senior notes	-	9,047	(9,047)
Change in fair value of preferred stock derivative liability	645	7,375	(6,730)
Employee retention credit	-	(1,900)	1,900
Adjusted EBITDA	\$ 1,948	\$ (2,448)	\$ 4,396
TTM Adjusted EBITDA	\$ 53,607	\$ 39,548	\$ 14,059
Adjusted EBITDA/Net sales %	1.6%	(2.9)%	453bps
TTM Adjusted EBITDA/TTM Net sales %	8.1%	7.4%	73bps
Adjusted net income (loss) attributable to common stockholders			
Net loss attributable to common stockholders	\$ (4,155)	\$ (24,412)	\$ 20,257
Restricted stock compensation expense	870	382	488
Change in fair value of convertible senior notes	-	9,047	(9,047)
Change in fair value of preferred stock derivative liability	645	7,375	(6,730)
Employee retention credit	-	(1,900)	1,900
Tax impact of additional charges	-	-	-
Adjusted net loss attributable to common stockholders	\$ (2,640)	\$ (9,508)	\$ 6,868
Adjusted loss per share - basic and diluted	\$ (0.28)	\$ (1.77)	\$ 1.49
Shares used in adjusted loss per share - basic and diluted	9,588	5,379	4,209

JAKKS Pacific, Inc. and Subsidiaries
Net Sales by Division and Geographic Region

(In thousands)

Divisions	Q1				
	2022	2021	2020	2022-2021	2021-2020
Toys/Consumer Products	\$ 111,123	\$ 79,875	\$ 62,565	39.1%	27.7%
Dolls, Role-Play/Dress Up	62,006	45,155	40,074	37.3%	12.7%
Action Play & Collectibles	31,698	16,405	9,654	93.2%	69.9%
Outdoor/Seasonal Toys	17,419	18,315	12,837	-4.9%	42.7%
Costumes	9,758	3,968	3,992	145.9%	-0.6%
Total	\$ 120,881	\$ 83,843	\$ 66,557	44.2%	26.0%

(In thousands)

Regions	Q1				
	2022	2021	2020	2022-2021	2021-2020
United States	\$ 97,050	\$ 68,916	\$ 51,918	40.8%	32.7%
Europe	13,389	7,337	7,618	82.5%	-3.7%
Canada	3,379	2,101	2,348	60.8%	-10.5%
Latin America	2,385	2,455	1,000	-2.9%	145.5%
Asia	2,076	1,415	1,770	46.7%	-20.1%
Australia & New Zeland	1,491	1,188	1,531	25.5%	-22.4%
Middle East & Africa	1,111	431	372	157.8%	15.9%
Total	\$ 120,881	\$ 83,843	\$ 66,557	44.2%	26.0%

(In thousands)

Regions	Q1				
	2022	2021	2020	2022-2021	2021-2020
North America	\$ 100,429	\$ 71,016	\$ 54,266	41.4%	30.9%
International	20,452	12,827	12,291	59.4%	4.4%
Total	\$ 120,881	\$ 83,843	\$ 66,557	44.2%	26.0%