

Risk Factors Comparison 2025-03-06 to 2024-03-15 Form: 10-K

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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 of 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 as to 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 ~~times~~, 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 ~~to~~ **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 ~~of~~ 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 ~~61-64~~ **6-4** % of our net sales in ~~2023-2024~~. 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 ~~15-6~~ **2024-2025**, we have not sold any shares of ~~the 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 15-6, 2024-2025, 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 2026-2029, 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 purchase 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 has been spreading--- 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. At this time, Despite the experience of COVID- 19, we still cannot predict with any certainty the further duration be assured that some future potential health- related event will not appear and be just as, depth of the impact in the United States or other places worldwide where we sell our- or products even more, disruptive to or our business manufacture our products. Accordingly, By extension it is difficult extremely challenging to estimate the extent by which we will be negatively impacted by this disease. Uncertainty surrounds the length of time this disease will continue to spread, and the extent governments will continue to impose, or add additional, quarantines, curfews, travel restrictions and closures of retail stores. In addition, even following control of the disease and the end of the pandemic, the economic dislocation caused by the disease to so many people may linger and be so significant that consumers' focus could be directed away from consumer discretionary spending for products such as ours for an extended period of time. For all of these reasons, at this time we cannot quantify the extent of the impact this type of disease will 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 and fourth- quarters, as our customers do not want to maintain large on- hand inventories throughout the year ahead of consumer demand. While these techniques reduce a retailer' s investment in inventory, they increase pressure on suppliers like us to fill orders promptly and thereby shift a significant portion of inventory risk and carrying costs to the supplier. 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. ~~In addition, the current COVID- 19 pandemic has made on- site engagement of our vendor base more challenging.~~ 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 **product 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; • broader 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 the majority** 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. ~~6-1~~% of our net sales for the year ended December 31, ~~2023-2024~~, and approximately ~~19-21~~. ~~1-6~~% of our net sales for year ended December 31, ~~2022-2023~~. 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 increased warranty and insurance costs; and** • 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 ~~our 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 ~~in order~~ 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 ~~our 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 ~~our 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 ~~continue 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** 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 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, ~~2023~~ **2024**, \$ 35.1 million, or ~~8.7~~ **8.9**% 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 ~~our~~ **the** results of **our** operations. We did not record any goodwill impairment charges during **2024**, **2023**, ~~or~~ **2022** ~~or 2021~~. 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