

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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported):

July 19, 2024

Crown Crafts, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

1-7604

(Commission File Number)

58-0678148

(IRS Employer
Identification No.)

916 South Burnside Avenue, Gonzales, LA

(Address of principal executive offices)

70737

(Zip Code)

Registrant's telephone number, including area code:

(225) 647-9100

(Former name or former address if changed since last report)

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))

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, par value \$0.01 per share	CRWS	Nasdaq Capital Market

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.

EXPLANATORY NOTE

On July 22, 2024, Crown Crafts, Inc. (the “Company”) filed a Current Report on Form 8-K (the “Initial Report”) announcing that NoJo Baby & Kids, Inc. (“NoJo Baby”), a wholly-owned subsidiary of the Company, acquired substantially all of the assets, and assumed certain specified liabilities of Baby Boom Consumer Products, Inc. (“Seller”) (the “Acquisition”), pursuant to the Asset Purchase Agreement, dated as of July 19, 2024, between the Company, NoJo Baby, Seller and Elliot Betesh, Michael Betesh and Steven Betesh, as the owners of Seller.

The Initial Report noted that the financial statements and pro forma financial information required by Item 9.01 of Form 8-K would be filed no later than 71 days after the date on which the Initial Report was required to be filed with the Securities and Exchange Commission (the “SEC”). The Company is filing this Amendment No. 1 to Current Report on Form 8-K/A (this “Amendment”) to amend and restate Item 9.01 of the Initial Report to provide the financial statements and pro forma financial information required by Item 9.01 of Form 8-K. No other modifications to the Initial Report are being made by this Amendment. This Amendment should be read in conjunction with the Initial Report.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Businesses or Funds Acquired.*

The audited financial statements of Baby Boom Consumer Products, Inc. as of December 31, 2023, and for the year then ended, and the report of Marcum, LLP. thereon, are filed herewith as Exhibit 99.3 and incorporated by reference herein.

The unaudited condensed financial statements of Baby Boom Consumer Products, Inc., as of March 31, 2024, and for the three months then ended, are filed herewith as Exhibit 99.4 and incorporated by reference herein.

(b) *Pro Forma Financial Information.*

The unaudited pro forma condensed combined financial statements of the Company reflecting the Acquisition are filed herewith as Exhibit 99.5 and incorporated by reference herein. The unaudited pro forma condensed combined balance sheet as of March 31, 2024 is presented as if the Acquisition had occurred on that date. The unaudited pro forma condensed combined statement of income for the year ended March 31, 2024 is presented as if the Acquisition had occurred on April 3, 2023.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only. The unaudited pro forma condensed combined financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the Acquisition been completed as of the dates indicated above or that may be achieved in the future. The preparation of the unaudited pro forma condensed combined financial statements and related adjustments required management to make certain assumptions and estimates. The unaudited pro forma condensed combined financial statements should be read together with:

- the notes accompanying the unaudited pro forma condensed combined financial statements;
- the Company’s audited consolidated financial statements, included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2024, filed with the SEC on June 28, 2024;
- the Company’s unaudited consolidated financial statements, included in the Company’s Quarterly Report on Form 10-Q for the three-month period ended June 30, 2024, filed with the SEC on August 14, 2024;
- the audited financial statements of Baby Boom Consumer Products, Inc., as of December 31, 2023, and for the year then ended, filed herewith as Exhibit 99.3; and

- the unaudited condensed financial statements of Baby Boom Consumer Products, Inc., as of March 31, 2024, and for the three months then ended, filed herewith as Exhibit 99.4.

(d) *Exhibits.*

2.1 [Asset Purchase Agreement, dated as of July 19, 2024, between Crown Crafts, Inc., NoJo Baby & Kids, Inc., Baby Boom Consumer Products, Inc., and Elliot Betesh, Michael Betesh and Steven Betesh.*±](#)

23.1 [Consent of Marcum, LLP.](#)

99.1 [Seventeenth Amendment to Financing Agreement, dated as of July 19, 2024, by and among the Crown Crafts, Inc., NoJo Baby & Kids, Inc., Sassy Baby, Inc., Manhattan Toy Europe Limited and The CIT Group/Commercial Services, Inc.±](#)

99.2 [Press release issued July 22, 2024±](#)

99.3 [Audited financial statements of Baby Boom Consumer Products, Inc., as of December 31, 2023, and for the year then ended.](#)

99.4 [Unaudited condensed financial statements of Baby Boom Consumer Products, Inc., as of March 31, 2024, and for the three months then ended.](#)

99.5 [Unaudited pro forma condensed combined financial statements of the Company reflecting the Acquisition and the accompanying notes thereto.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the SEC a copy of any omitted schedules upon request; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

+ Previously filed.

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 thereunto duly authorized.

Date: September 27, 2024

CROWN CRAFTS, INC.

/s/ Craig J. Demarest

CRAIG J. DEMAREST

Vice President and Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements No. 333-136868, No. 333-183298, No. 333-200037 and No. 333-258678 on Form S-8 of Crown Crafts, Inc. of our report, dated September 20, 2024, with respect to our audit of the financial statements of Baby Boom Consumer Products, Inc. as of December 31, 2023, and for the year then ended, which report is included in this Current Report on Form 8-K/A of Crown Crafts, Inc.

/s/ Marcum LLP

New York, New York
September 27, 2024

BABY BOOM CONSUMER PRODUCTS, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

BABY BOOM CONSUMER PRODUCTS, INC.

CONTENTS

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheet	3-4
Statement of Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8-17
	0

Independent Auditor's Report

To the Board of Directors
Baby Boom Consumer Products, Inc.

Opinion

We have audited the financial statements of Baby Boom Consumer Products, Inc., which comprise the balance sheet as of December 31, 2023, and the related statement of income, changes in equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Baby Boom Consumer Products, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Baby Boom Consumer Products Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Baby Boom Consumer Products, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Baby Boom Consumer Products Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Baby Boom Consumer Products Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Marcum LLP

New York City, NY
September 20, 2024

BABY BOOM CONSUMER PRODUCTS, INC.

**BALANCE SHEET
DECEMBER 31, 2023**

Assets	
Current assets	
Cash	\$ 9,927
Accounts receivable, net of allowances for credit losses of approximately \$253,000	4,200,171
Inventories	2,803,205
Prepaid expenses and other current assets	546,057
Due from related parties	100,729
Total Current Assets	<u>7,660,089</u>
Property and equipment – at cost	
Computer software	29,174
Furniture and fixtures	216,791
Tools and moldings	6,800
Property and equipment – gross	<u>252,765</u>
Less accumulated depreciation	179,237
Property and equipment – net	<u>73,528</u>
Total Assets	<u>\$ 7,733,617</u>

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
BALANCE SHEET
DECEMBER 31, 2023

Liabilities and Equity

Current Liabilities

Accounts payable	\$ 1,369,223
Accrued wages and benefits	101,864
Accrued royalties	456,350
Other accrued liabilities	<u>260,762</u>

Total Current Liabilities 2,188,199

Commitments and Contingencies

Equity

Common stock, no par value, 200 shares authorized, 6 shares issued and outstanding	1,300
Retained Earnings	<u>5,544,118</u>

Total Liabilities and Equity \$ 7,733,617

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

Net Sales	\$ 22,220,313
Cost of Goods Sold	<u>14,573,343</u>
Gross Profit	7,646,970
Operating Expenses	
Selling, general and administrative	<u>6,177,794</u>
Income From Operations Before Income Tax Benefit	<u>1,469,176</u>
Income Tax Benefit	(122,750)
Net Income	<u><u>\$ 1,591,926</u></u>

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Common Stock		Retained	Total
	Shares	Amount	Earnings	
Balance, January 1, 2023	6	\$ 1,300	\$ 11,962,482	\$ 11,963,782
Shareholders' distributions	--	--	(5,662,234)	(5,662,234)
Intercompany cash settlements through equity	--	--	(2,348,056)	(2,348,056)
Net income	--	--	1,591,926	1,591,926
Balance, December 31, 2023	<u>6</u>	<u>\$ 1,300</u>	<u>\$ 5,544,118</u>	<u>\$ 5,545,418</u>

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities	
Net income	\$ 1,591,926
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization of property and equipment	\$ 2,266
Credit loss expense	7,605
Changes in assets and liabilities	
Accounts receivable	1,706,574
Inventories	774,874
Prepaid expenses and other current assets	(526,026)
Due from related parties	1,949,909
Accounts payable	22,817
Accrued liabilities	34,887
Total Adjustments	3,972,906
Net Cash Provided by Operating Activities	5,564,832
Cash Flows From Financing Activities	
Distributions to shareholders	(5,662,234)
Net Decrease in Cash	\$ (97,402)
Cash, Beginning of Year	107,329
Cash, End of Year	\$ 9,927
Supplemental Cash Flow Disclosures	
Income taxes paid	\$ 147,865

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 1 - Organization and Nature of Business

Baby Boom Consumer Products, Inc. (“the Company”), a New York corporation formed in 1995, is engaged in the sale of diaper bags, infant accessories, toys, and room décor online and to major national retail stores.

Note 2 - Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326), Current Expected Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses.

ASU 2016-13 was required to be adopted in the first interim period of the fiscal year beginning after December 15, 2022. Accordingly, the Company adopted ASU 2016-13 effective as of January 1, 2023, using the modified retrospective transition approach. The adoption of ASU 2016-13 did not have a material impact on the Company’s overall financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates. Changes in such estimates could affect amounts reported in future periods.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Cash

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. The Company maintains its cash balances in highly rated financial institutions. At times, cash balances may exceed federally insurable limits.

Accounts Receivable, Net

Accounts receivable represent amounts invoiced to customers in accordance with the terms of customer contracts and are recorded in the financial statements when invoices are issued, net of a provision for sales discounts, chargebacks and allowances. Upon adoption of ASU 2016-13, the Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. The Company provides for allowances against receivables for estimated losses, if any, that may result from a customer's inability to pay. Estimates are based on the Company's historical losses, the existing economic conditions in the industry, and the financial stability of its customers. The Company is covered by credit insurance on certain receivables of specific customers. Balances that remain outstanding after the Company has made reasonable collection efforts are written off through a charge to the allowance. The allowance for credit losses was approximately \$253,000 as of December 31, 2023. Accounts receivable and the allowance for doubtful accounts totaled approximately \$6,396,000 and \$233,000, respectively, as of January 1, 2023.

Inventories

Inventories consist of finished goods and goods in-transit and are stated at the lower of cost (first-in, first-out) and net realizable value.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Depreciation and amortization is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

	(in years)
Furniture and fixtures	7
Tools and moldings	3
Computer software	5

Revenue Recognition, Contracts with Customers

The Company recognizes revenue in accordance with ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," wherein, revenues are adjusted for variable consideration arising from implicit or explicit obligations. Variable consideration includes trade discounts, markdowns, sales allowances, cooperative advertising, return liabilities and other customer allowances. The anticipated variable consideration is estimated and recorded as a reduction of revenue in the period the related revenue is recognized. Variable consideration is estimated based on historical experience, current contractual and statutory requirements, specific known events and industry trends.

Under Topic 606, the reserves for variable consideration are recorded as a reduction of accounts receivable, net on the accompanying balance sheets, totaling approximately \$174,000 as of December 31, 2023. The reserve for variable consideration totaled approximately \$249,000 as of January 1, 2023.

Sales of the Company's products are generally made on a returnable basis with certain restrictions and include a single performance obligation for each contract. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations, and can be written, oral or implied by the entity's customary business practices. Revenue is recognized at a point in time, which is affected by various economic factors, as the goods are transferred and the buyer has control of the goods, which is considered the point when the performance obligation is satisfied. This control passes upon shipment of the goods to the customer. The amount of revenue recognized is based on the consideration to which the Company expects to be entitled, including the expected value of variable consideration as it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved. Customer payment terms for these shipments typically range between 60 and 120 days.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition, Contracts with Customers (continued)

Net sales represent gross sales and related costs invoiced to customers, less certain variable consideration for discounts, returns, and other allowances. Discounts are identifiable by performance obligation and therefore are applied at the point of sale by performance obligation. Sales returns and allowances are analyzed and the Company is able to make reasonable and reliable estimates of product returns and allowances based on the Company's past history. At a minimum, they are reassessed at each reporting date to reflect any changes in fact or circumstances. Estimates for sales returns and allowances are based on a variety of factors including actual returns and allowances and expected return and allowance data communicated to the Company by customers. Accordingly, the Company believes this analysis is a reasonable basis for its sales returns and allowances estimate. Actual results could differ from those estimates.

Sales Tax

The Company collects sales tax and remits the entire amount to the appropriate state where the product has been shipped. The accounting policy is to exclude the tax collected and remitted to the appropriate state from sales and cost of goods sold.

Advertising

Advertising costs, which are expensed as incurred, totaled approximately \$12,000 for the year ended December 31, 2023, and are included in selling, general, and administrative expenses.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general and administrative expenses and were approximately \$93,000 for the year ended December 31, 2023.

Income Taxes

The Company, with the consent of its stockholders, have elected under the Internal Revenue Code and New York State tax law to be taxed as S Corporations. In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of a company's taxable income.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Therefore, no provision or liability for federal or state income tax has been included in the financial statements for this entity. The city of New York does not recognize S Corporation status; therefore, a provision has been made for New York City corporate taxes on the alternative basis. The Company follows the provisions of FASB ASC Topic 740, "Income Taxes". Accordingly, tax positions are recognized in the Company's financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities.

New York and California enacted the Pass-Through Entity Tax ("PTET"), effective for tax years beginning on or after January 1, 2021. This new law allows pass-through businesses to pay income taxes at the entity level instead of the personal level. The law allows for this election to be made annually. In 2023, the Company recognized PTET, on behalf of its members, of \$1,500. Further, the Company received a refund during 2023 for previously paid PTET taxes of approximately \$271,000, which is also included in the provision for income tax expense in the accompanying statement of income.

New Jersey enacted the Pass-Through Business Alternative Income Tax ("BAIT"), effective for tax years beginning on or after January 1, 2020. This law allows pass-through businesses to pay federal state and local taxes on behalf of its members. In 2023, the Company recognized BAIT, on behalf of its members, of \$135,000, which is included in the provision for income tax expense in the accompanying statements of income.

Subsequent Events

On July 19, 2024 the Company entered into an asset purchase agreement with a buyer for \$18,000,000. The Company has agreed to sell , transfer, convey, assign and deliver to the buyer substantially all its assets and the buyer has agreed to purchase and accept the purchased assets and assume the assumed liabilities, subject to the terms and conditions of the purchase agreement.

These financial statements were approved by management and available for issuance on September 20, 2024. Management has evaluated subsequent events through this date.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 3 - Inventories

Inventories consist of the following as of December 31, 2023:

Finished goods	\$ 2,457,073
Inventory in transit	346,132
	<u>\$ 2,803,205</u>

Note 4 - Property and Equipment

Property and equipment consist of the following as of December 31, 2023:

Tools and molding	\$ 6,800
Computer software	29,174
Furniture and fixtures	216,791
	<u>\$ 252,765</u>
Less - Accumulated depreciation and amortization	179,237
	<u>\$ 73,528</u>

Depreciation expense for the year ended December 31, 2023 was \$2,267.

Note 5 - Short-Term Borrowings

The Company is provided access to two credit facilities which provide for short-term borrowings and letters of credit through an agreement with the Company and a related party group, related through common ownership. The facilities are collateralized by substantially all of the assets of the Company and the related party group and are guaranteed by the officers. Effective October 31, 2021, the maximum borrowings for each were \$14,000,000, totaling \$28,000,000. Additionally, there is a \$2,000,000 sublimit for commercial letters of credit, \$2,000,000 sublimit for general letters of credit and a \$150,000 sublimit for standby letters of credit. Effective April 13, 2022, both credit facilities were amended, and maximum borrowings were increased to \$16,000,000, totaling \$32,000,000 and the standby letter of credit limit was further increased to \$1,750,000.

For one of the credit facilities, effective October 29, 2022, the credit period was extended to October 27, 2023, and then extended further in 2023 to October 27, 2024. No other terms of the agreement were changed in the 2023 agreement.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 5 - Short-Term Borrowings (continued)

For this same credit facility, the 2022 amendment revised interest to be the prime rate minus 0.50% per annum (8.00% at December 31, 2023). Prior to this amendment, the line bore interest at adjusted London Interbank Offered Rate (“LIBOR”) plus 2%.

For the other credit facility, effective October 30, 2022, the credit period was extended to October 27, 2024. For this same credit facility, the 2022 amendment revised interest to be the prime rate subject to a floor of 2.25% (8.50% at December 31, 2023). Prior to this amendment, the line bore interest at the prime rate minus 0.90%, subject to a floor of 2.35%.

As of 2023, there was no outstanding balance on this line of credit owed by the Company, and no interest expense charged to operations.

Note 6 - Common Stock and Equity

As of December 31, 2023, there is \$1,300 of common stock in the Company which consists of 200 shares authorized, 6 shares issued and outstanding with no par value.

Note 7 - Income Taxes

The benefit for income taxes for the year ended December 31, 2023 consists of the following:

Current	
State and local expense (refund)	\$ 10,419
New York PTET (net of refunds)	(269,115)
New Jersey BAIT expense	135,946
	<u>\$ (122,750)</u>

Note 8 - Related Party Transactions

Due from Related Party

As of December 31, 2023, the Company has an outstanding receivable due from a related party of approximately \$106,000. This amount is noninterest-bearing and considered due on demand.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 8 - Related Party Transactions (continued)

Due to Affiliate

As of December 31, 2023, the Company has an outstanding payable due to an affiliate of approximately \$5,000 related to various operating expenses in the normal course of business. This amount is noninterest-bearing and considered due on demand.

Allocated Expenses

Allocated expenses represent various general and administrative charges from an affiliated entity related through common ownership for shared services. Overhead allocations are charged to the Company from an affiliated entity based on a ratio of net sales compared to the total overhead expenses for each month. Total expenses related to these charges were approximately \$2,705,000 for the year ended December 31, 2023 and are included in selling, general and administrative expenses on the statement of income.

The Company also charges an administrative fee and a management fee to a different affiliated entity for various overhead expenses. These charges are agreed upon by the Company and affiliates, and the income is allocated based on total FOB purchases each month. Total administrative fee and management fee income was approximately \$684,000 for the year ended December 31, 2023 and are included in selling, general and administrative expenses on the statement of income.

Various additional operating expenses are allocated from an affiliated entity based on employee usage, sales, or other appropriate services used and are charged to the entity as incurred.

Note 9 - Concentrations

Major Customers

Revenues and accounts receivable in excess of 10% from major customers for the year ended December 31, 2023 are as follows:

Customer	Percent of Total Gross Sales	Percent of Total Gross AR
Walmart	44%	41%
Target	30%	32%
Amazon	17%	22%

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 9 - Concentrations (Continued)

Major Suppliers

Substantially all of the merchandise purchased for the years ended December 31, 2023 was produced in China.

Purchases and accounts payable in excess of 10% from major suppliers for the year ended December 31, 2023 are as follows:

Supplier	Percent of Total Purchases	Percent of Total AP
Wuxi Tianyi Embroidery Co. Ltd	17%	26%
Yiwu Bana Bag Productions Co. Ltd	34%	25%
Shanghai Industrial Co. Ltd	10%	20%
Wuxi Huide International Corp. Ltd	23%	19%

Note 10 - Commitments and Contingencies

Royalty Agreements

The Company has entered into various licensing agreements, which have expiration dates ranging from March 31, 2024 through December 31, 2027, whereby the Company may reproduce likenesses of characters from motion pictures, animation, and cartoons and use their names on products sold by the Company in return for fees of 7% to 17% of applicable net sales. For the year ended December 31, 2023, approximately 71% of the Company's gross sales were subject to royalty agreements.

Future minimum royalty payments under these agreements, inclusive of royalty agreements signed subsequent to December 31, 2023, are approximately as follows:

Year Ending December 31,	Amount
2024	\$ 1,090,000
2025	1,030,000
2026	450,000
2027	50,000
Total	\$ 2,620,000

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 10 - Commitments and Contingencies

Royalty Agreements (continued)

Royalty expense for the year ended December 31, 2023 was approximately \$2,265,000, and is included in cost of goods sold.

BABY BOOM CONSUMER PRODUCTS, INC.
UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

BABY BOOM CONSUMER PRODUCTS, INC.

CONTENTS

Financial Statements

Balance Sheet	1-2
Statement of Income	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-15

BABY BOOM CONSUMER PRODUCTS, INC.
BALANCE SHEET
AS OF

	(Audited) 12/31/2023	(Unaudited) 03/31/2024
Assets		
Current Assets		
Cash	\$ 9,927	\$ 54,581
Accounts receivable, net allowance for credit losses of approximately \$253,000	4,200,171	5,333,328
Inventories	2,803,205	1,838,276
Prepaid expenses and other current assets	546,057	513,480
Due from related parties	100,729	1,217,195
Total Current Assets	\$ 7,660,089	\$ 8,956,860
Property and equipment - at cost		
Computer software	29,174	29,174
Furniture and fixtures	216,791	216,791
Tools and moldings	6,800	6,800
Property and equipment - gross	252,765	252,765
Less accumulated depreciation	179,237	185,900
Property and equipment - net	73,528	66,865
Total Assets	\$ 7,733,617	\$ 9,023,725

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
BALANCE SHEET
AS OF

	(Audited) 12/31/2023	(Unaudited) 03/31/2024
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 1,369,223	\$ 676,220
Accrued wages and benefits	101,864	-
Accrued royalties	456,350	598,852
Other accrued liabilities	260,762	199,399
Total Current Liabilities	\$ 2,188,199	\$ 1,474,470
Commitments and Contingencies		
Equity		
Common stock, no par value, 200 shares authorized, 6 shares issued and outstanding	1,300	1,300
Retained earnings	5,544,118	7,547,955
	\$ 7,733,617	\$ 9,023,725

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
STATEMENT OF INCOME
FOR THE TWELVE AND THREE MONTHS ENDED

	(Audited) <u>12/31/2023</u>	(Unaudited) <u>03/31/2024</u>
Net Sales	\$ 22,220,313	\$ 5,624,309
Cost of Goods Sold	<u>14,573,343</u>	<u>3,710,015</u>
Gross Profit	7,646,970	1,914,294
Operating Expenses		
Selling, General, and Administrative	<u>6,177,794</u>	<u>1,449,190</u>
Income From Operations Before Income Tax Benefit	<u>1,469,176</u>	<u>465,104</u>
Income Tax Expense (Benefit)	(122,750)	86,365
Net Income	<u>\$ 1,591,926</u>	<u>\$ 378,739</u>

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE THREE MONTHS ENDED MARCH 31, 2024

	Common Stock		Retained Earnings	Total
	Shares	Amount		
Balance, January 1, 2023	6	\$ 1,300	\$ 11,962,482	\$ 11,963,782
Shareholders' distributions	--	--	(5,662,234)	(5,662,234)
Intercompany cash settlements through equity	--	--	(2,348,056)	(2,348,056)
Net income	--	--	1,591,926	1,591,926
Balance, December 31, 2023	<u>6</u>	<u>\$ 1,300</u>	<u>\$ 5,544,118</u>	<u>\$ 5,545,418</u>
Shareholders' distributions	--	--	(370,000)	(370,000)
Intercompany cash settlements through equity	--	--	1,995,098	1,995,098
Net income	--	--	378,739	378,739
Balance, March 31, 2024	<u>6</u>	<u>\$ 1,300</u>	<u>\$ 7,547,955</u>	<u>\$ 7,549,255</u>

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
STATEMENT OF CASH FLOWS
FOR THE TWELVE AND THREE MONTHS ENDED

	(Audited) 12/31/2023	(Unaudited) 03/31/2024
Cash Flows From Operating Activities		
Net Income	\$ 1,591,926	\$ 378,739
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	2,266	6,662
Bad debt expense	7,605	-
Changes in assets and liabilities		
Accounts receivable	1,706,574	(1,133,157)
Inventories	774,874	964,929
Prepaid expenses and other current assets	(526,026)	34,090
Due from related parties	1,949,909	878,634
Accounts payable	22,817	(694,517)
Accrued liabilities	34,887	(20,726)
Total Adjustments	\$ 3,972,906	\$ 35,915
Net Cash Provided by Operating Activities	\$ 5,564,832	\$ 414,654
Cash Flows From Financing Activities		
Distributions to shareholders	(5,662,234)	(370,000)
Net Increase (Decrease) in Cash	\$ (97,402)	44,654
Cash, Beginning of Year	107,329	9,927
Cash, End of Year	\$ 9,927	\$ 54,581
Supplemental Cash Flow Disclosures		
Income taxes paid	\$ 147,865	\$ 86,635

The accompanying notes are an integral part of these financial statements.

BABY BOOM CONSUMER PRODUCTS, INC.
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Organization and Nature of Business

Baby Boom Consumer Products, Inc. (“the Company”), a New York corporation formed in 1995, is engaged in the sale of diaper bags, infant accessories, toys, handbags and room décor online and to major national retail stores.

Note 2 - Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326), Current Expected Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses.

ASU 2016-13 was required to be adopted in the first interim period of the fiscal year beginning after December 15, 2022. Accordingly, the Company adopted ASU 2016-13 effective as of January 1, 2023, using the modified retrospective transition approach. The adoption of ASU 2016-13 did not have a material impact on the Company’s overall financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates. Changes in such estimates could affect amounts reported in future periods.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. The Company maintains its cash balances in highly rated financial institutions. At times, cash balances may exceed federally insurable limits.

Accounts Receivable, Net

Accounts receivable represent amounts invoiced to customers in accordance with the terms of customer contracts and are recorded in the financial statements when invoices are issued, net of a provision for sales discounts, chargebacks and allowances. Upon adoption of ASU 2016-13, the Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. The Company provides for allowances against receivables for estimated losses, if any, that may result from a customer's inability to pay. Estimates are based on the Company's historical losses, the existing economic conditions in the industry, and the financial stability of its customers. The Company is covered by credit insurance on certain receivables of specific customers. Balances that remain outstanding after the Company has made reasonable collection efforts are written off through a charge to the allowance. The allowance for credit losses was approximately \$253,000 as of December 31, 2023 and \$279,000 as of March 31, 2024. Accounts receivable and the allowance for doubtful accounts totaled approximately \$6,396,000 and \$233,000, respectively, as of January 1, 2023.

Inventories

Inventories consist of finished goods and goods in-transit and are stated at the lower of cost (first-in, first-out) and net realizable value.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Depreciation and amortization is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

	(in years)
Furniture and fixtures	7
Tools and moldings	3
Computer software	5

Revenue Recognition, Contracts with Customers

The Company recognizes revenue in accordance with ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," wherein, revenues are adjusted for variable consideration arising from implicit or explicit obligations. Variable consideration includes trade discounts, markdowns, sales allowances, cooperative advertising, return liabilities and other customer allowances. The anticipated variable consideration is estimated and recorded as a reduction of revenue in the period the related revenue is recognized. Variable consideration is estimated based on historical experience, current contractual and statutory requirements, specific known events and industry trends.

Under Topic 606, the reserves for variable consideration are recorded as a reduction of accounts receivable, net on the accompanying balance sheets, totaling approximately \$174,000 as of December 31, 2023, and \$140,000 as of March 31, 2024. The reserve for variable consideration totaled approximately \$249,000 as of January 1, 2023.

Sales of the Company's products are generally made on a returnable basis with certain restrictions and include a single performance obligation for each contract. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations, and can be written, oral or implied by the entity's customary business practices. Revenue is recognized at a point in time, which is affected by various economic factors, as the goods are transferred and the buyer has control of the goods, which is considered the point when the performance obligation is satisfied. This control passes upon shipment of the goods to the customer. The amount of revenue recognized is based on the consideration to which the Company expects to be entitled, including the expected value of variable consideration as it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved. Customer payment terms for these shipments typically range between 60 and 120 days.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition, Contracts with Customers (continued)

Net sales represent gross sales and related costs invoiced to customers, less certain variable consideration for discounts, returns, and other allowances. Discounts are identifiable by performance obligation and therefore are applied at the point of sale by performance obligation. Sales returns and allowances are analyzed and the Company is able to make reasonable and reliable estimates of product returns and allowances based on the Company's past history. At a minimum, they are reassessed at each reporting date to reflect any changes in fact or circumstances. Estimates for sales returns and allowances are based on a variety of factors including actual returns and allowances and expected return and allowance data communicated to the Company by customers. Accordingly, the Company believes this analysis is a reasonable basis for its sales returns and allowances estimate. Actual results could differ from those estimates.

Sales Tax

The Company collects sales tax and remits the entire amount to the appropriate state where the product has been shipped. The accounting policy is to exclude the tax collected and remitted to the appropriate state from sales and cost of goods sold.

Advertising

Advertising costs, which are expensed as incurred, totaled approximately \$12,000 for the year ended December 31, 2023 and \$0 as of March 31, 2024, and are included in selling, general, and administrative expenses.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general and administrative expenses and were approximately \$93,000 for the year ended December 31, 2023 and \$20,000 as of March 31, 2024.

Income Taxes

The Company, with the consent of its stockholders, have elected under the Internal Revenue Code and New York State tax law to be taxed as S Corporations. In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of a company's taxable income.

Note 2 - Summary of Significant Accounting Policies (continued)***Income Taxes (continued)***

Therefore, no provision or liability for federal or state income tax has been included in the financial statements for this entity. The city of New York does not recognize S Corporation status; therefore, a provision has been made for New York City corporate taxes on the alternative basis. The Company follows the provisions of FASB ASC Topic 740, "Income Taxes". Accordingly, tax positions are recognized in the Company's financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities.

New York and California enacted the Pass-Through Entity Tax ("PTET"), effective for tax years beginning on or after January 1, 2021. This new law allows pass-through businesses to pay income taxes at the entity level instead of the personal level. The law allows for this election to be made annually. In 2023, the Company recognized PTET, on behalf of its members, of \$1,500. Further, the Company received a refund during 2023 for previously paid PTET taxes of approximately \$271,000, which is also included in the provision for income tax expense in the accompanying statement of income.

New Jersey enacted the Pass-Through Business Alternative Income Tax ("BAIT"), effective for tax years beginning on or after January 1, 2020. This law allows pass-through businesses to pay federal state and local taxes on behalf of its members. In 2023, the Company recognized BAIT, on behalf of its members, of \$135,000, which is included in the provision for income tax expense in the accompanying statements of income.

Subsequent Events

On July 19, 2024 the Company entered into an asset purchase agreement with a buyer for \$18,000,000. The Company has agreed to sell , transfer, convey, assign and deliver to the buyer substantially all its assets and the buyer has agreed to purchase and accept the purchased assets and assume the assumed liabilities, subject to the terms and conditions of the purchase agreement.

These financial statements were approved by management and available for issuance on September 25, 2024. Management has evaluated subsequent events through this date.

Note 3 - Inventories

Inventories consist of the following as of:

	December 31, 2023	March 31, 2024
Finished Good	\$ 2,457,073	\$ 1,706,515
Furniture and Fixtures	\$ 346,132	\$ 131,761
	<u>\$ 2,803,205</u>	<u>\$ 1,838,276</u>

Note 4 - Property and Equipment

Property and equipment consist of the following as of:

	December 31, 2023	March 31, 2024
Tools and Molding	\$ 6,800	\$ 6,800
Computer Software	29,174	29,174
Furniture and Fixtures	216,791	216,791
	<u>\$ 252,765</u>	<u>\$ 252,765</u>
Less- Accumulated depreciation and amortization	179,237	185,900
	<u>\$ 73,528</u>	<u>\$ 66,865</u>

Depreciation expense for the year ended December 31, 2023 was \$2,267. Depreciation expense for the three months ended March 31, 2024 was \$6,663.

Note 5 - Short-Term Borrowings

The Company is provided access to two credit facilities which provide for short-term borrowings and letters of credit through an agreement with the Company and a related party group, related through common ownership. The facilities are collateralized by substantially all of the assets of the Company and the related party group and are guaranteed by the officers. Effective October 31, 2021, the maximum borrowings for each were \$14,000,000, totaling \$28,000,000. Additionally, there is a \$2,000,000 sublimit for commercial letters of credit, \$2,000,000 sublimit for general letters of credit and a \$150,000 sublimit for standby letters of credit. Effective April 13, 2022, both credit facilities were amended, and maximum borrowings were increased to \$16,000,000, totaling \$32,000,000 and the standby letter of credit limit was further increased to \$1,750,000.

For one of the credit facilities, effective October 29, 2022, the credit period was extended to October 27, 2023, and then extended further in 2023 to October 27, 2024. No other terms of the agreement were changed in the 2023 agreement.

For this same credit facility, the 2022 amendment revised interest to be the prime rate minus 0.50% per annum (8.00% at December 31, 2023). Prior to this amendment, the line bore interest at adjusted London Interbank Offered Rate ("LIBOR") plus 2%.

For the other credit facility, effective October 30, 2022, the credit period was extended to October 27, 2024. For this same credit facility, the 2022 amendment revised interest to be the prime rate subject to a floor of 2.25% (8.50% at December 31, 2023). Prior to this amendment, the line bore interest at the prime rate minus 0.90%, subject to a floor of 2.35%.

As of December 31 2023 and March 31, 2024, there was no outstanding balance on this line of credit owed by the Company, and no interest expense charged to operations.

Note 6 - Common Stock and Equity

As of December 31, 2023 and March 31, 2024, there is \$1,300 of common stock in the Company which consists of 200 shares authorized, 6 shares issued and outstanding with no par value.

Note 7 - Income Taxes

The benefit for income taxes for the year ended December 31, 2023 and March 31, 2024 consists of the following:

Current	December 31, 2023	March 31, 2024
State and local expense (refund)	\$ 10,419	\$ 86,635
New York PTET (net of refunds)	(269,115)	-0-
New Jersey BAIT expense	135,946	-0-
	<u>\$ (122,750)</u>	<u>\$ 86,635</u>

Note 8 - Related Party Transactions***Due from Related Party***

As of December 31, 2023 and March 31, 2024, the Company has an outstanding receivable due from a related party of approximately \$106,000 and \$(13,000) respectively. This amount is noninterest-bearing and considered due on demand.

Due to Affiliate

As of December 31, 2023 and March 31, 2024, the Company has an outstanding payable due to an affiliate of approximately \$5,000 and \$1,230,000, respectively, related to various operating expenses in the normal course of business. This amount is noninterest-bearing and considered due on demand.

Note 8 - Related Party Transactions (continued)***Allocated Expenses***

Allocated expenses represent various general and administrative charges from an affiliated entity related through common ownership for shared services. Overhead allocations are charged to the Company from an affiliated entity based on a ratio of net sales compared to the total overhead expenses for each month. Total expenses related to these charges were approximately \$2,705,000 for the year ended December 31, 2023, and \$655,000 for the three-months ended March 31, 2024, and are included in selling, general and administrative expenses on the statement of income.

The Company also charges an administrative fee and a management fee to a different affiliated entity for various overhead expenses. These charges are agreed upon by the Company and affiliates, and the income is allocated based on total FOB purchases each month. Total administrative fee and management fee income was approximately \$684,000 for the year ended December 31, 2023, and \$39,000 for the three months ended March 31, 2024, and are included in selling, general and administrative expenses on the statement of income.

Various additional operating expenses are allocated from an affiliated entity based on employee usage, sales, or other appropriate services used and are charged to the entity as incurred.

Note 9 - Concentrations***Major Customers***

Revenues and accounts receivable in excess of 10% from major customers for the year ended December 31, 2023 are as follows:

Customer	Percent of Total Gross Sales	Percent of Total Gross AR
Walmart	44%	41%
Target	30%	32%
Amazon	17%	22%

Revenues and accounts receivable in excess of 10% from major customers for the three months ended March 31, 2024 are as follows:

Customer	Percent of Total Gross Sales	Percent of Total Gross AR
Walmart	55%	53%
Target	28%	30%
Amazon	14%	15%

Note 9 - Concentrations (Continued)**Major Suppliers**

Substantially all of the merchandise purchased for the year ended December 31, 2023 and three months ended March 31, 2024 was produced in China.

Purchases and accounts payable in excess of 10% from major suppliers for the year ended December 31, 2023 are as follows:

Supplier	Percent of Total Purchases	Percent of Total AP
Wuxi Tianyi Embroidery Co. Ltd	17%	26%
Yiwu Bana Bag Productions Co. Ltd	34%	25%
Shanghai Industrial Co. Ltd.	10%	20%
Wuxi Huide International Corp. Ltd	23%	19%

Purchases and accounts payable in excess of 10% from major suppliers for the three months ended March 31, 2023 are as follows:

Supplier	Percent of Total Purchases	Percent of Total AP
Wuxi Tianyi Embroidery Co. Ltd	17%	15%
Yiwu Bana Bag Productions Co. Ltd	34%	24%
Shanghai Xiu Jun Bag Co.	23%	29%
Wuxi Huide International Corp. Ltd	23%	21%

Note 10 - Commitments and Contingencies**Royalty Agreements**

The Company has entered into various licensing agreements, which have expiration dates ranging from March 31, 2024 through December 2027, whereby the Company may reproduce likenesses of characters from motion pictures, animation, and cartoons and use their names on products sold by the Company in return for fees of 7% to 17% of applicable net sales. For the year ended December 31, 2023, approximately 71% of the Company's gross sales were subject to royalty agreements. For the three months ended March 31, 2024, approximately 73% of the Company's gross sales were subject to royalty agreements.

Note 10 - Commitments and Contingencies (Continued)

Future minimum royalty payments under these agreements, inclusive of royalty agreements signed subsequent to December 31, 2023, are approximately as follows:

Year Ending December 31,	Amount
2024	\$ 1,090,000
2025	1,030,000
2026	450,000
2027	50,000
Total	\$ 2,620,000

Royalty expense for the year ended December 31, 2023 was approximately \$2,265,000, and is included in cost of goods sold. Royalty expense for the three months ended March 31, 2024 was approximately \$528,000, and is included in cost of goods sold.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On July 19, 2024 (the “Closing Date”), NoJo Baby & Kids, Inc. (“NoJo Baby”), a wholly-owned subsidiary of Crown Crafts, Inc. (the “Company”) acquired substantially all of the assets, and assumed certain specified liabilities, of Baby Boom Consumer Products, Inc. (“Baby Boom”) (“the Acquisition”), for a purchase price of \$18.0 million in cash, subject to a dollar-for-dollar adjustment to the extent that the working capital at closing is greater or less than the target working capital of \$6,515,809. The Acquisition was funded by the Company using the proceeds of an \$8.0 million term loan from The CIT Group/Commercial Services, Inc. (“CIT”) and additional borrowings under the Company’s revolving line of credit with CIT.

The Acquisition will be accounted for under the acquisition method of accounting for business combinations under the provisions of Financial Accounting Standards Board Accounting Standard Codification Topic 805, *Business Combinations*, with the Company representing the accounting acquirer under this guidance. The unaudited pro forma combined financial statements were prepared in accordance with Article 11 of Regulation S-X, as amended by Securities and Exchange Commission Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*, and are presented to illustrate the estimated effects of the Acquisition and the issuance of debt used to fund the Acquisition.

The unaudited pro forma combined balance sheet combines the Company’s historical consolidated balance sheet as of March 31, 2024, with Baby Boom’s December 31, 2023 historical balance sheet giving effect to the Acquisition as if it was completed on March 31, 2024.

The unaudited pro forma combined statement of income for the year ended March 31, 2024 (“Fiscal 2024”), combines the Company’s historical consolidated statement of income for its Fiscal 2024 with Baby Boom’s statement of income for its fiscal year ended December 31, 2023. The unaudited pro forma combined statements of income give effect to the Acquisition as if it was completed on April 3, 2023.

The estimated purchase price of the Acquisition will be allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the Closing Date. Any excess value of the estimated consideration transferred over the net assets acquired will be recognized as goodwill. The Company has made a preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on management’s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed using information currently available. The finalization of the Company’s purchase accounting assessment may result in changes to the valuation of assets acquired and liabilities assumed, which could have a material impact on the accompanying unaudited pro forma combined financial statement presentation.

The unaudited pro forma combined financial information, including the notes thereto, should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2024, and Baby Boom’s audited financial statements and related notes as of and for the year ended December 31, 2023 which are included in this Amendment No. 1 to the Current Report on Form 8-K/A. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information is based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited pro forma combined financial information and related notes are presented for illustrative purposes only, and do not purport to represent what the actual consolidated combined balance sheet or statement of income would have been had the Acquisition occurred on the dates indicated, nor are they necessarily indicative of the combined company’s future results of operations or financial position. Additionally, the unaudited pro forma combined financial statements do not reflect the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies that may result from the Acquisition.

The Company and Baby Boom have different year end dates for their fiscal periods. As permitted by Article 11 of Regulation S-X, Baby Boom’s financial statements for its fiscal year ended December 31, 2023 were combined with the Company’s audited consolidated financial statements for the Company’s year ended March 31, 2024, without reflecting an adjustment to align those different fiscal year ends.

CROWN CRAFTS, INC. AND SUBSIDIARIES
 UNAUDITED PROFORMA CONDENSED COMBINED BALANCE SHEET
 (amounts in thousands)

	Crown Crafts, Inc. as of March 31, 2024	Baby Boom Consumer Products, Inc. as of December 31, 2023	Transaction Adjustments	Financing Adjustments	Pro Forma Condensed Combined as of March 31, 2024
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 829	\$ 10	\$ (16,365) 2a	\$ 16,355 2h,i	\$ 829
Accounts receivable	22,403	4,200	(737) 2b	-	25,866
Inventories, net	29,709	2,803	(814) 2b	-	31,698
Prepaid expenses and other current assets	1,883	647	(389) 2b	-	2,141
Total current assets	<u>54,824</u>	<u>7,660</u>	<u>(18,305)</u>	<u>16,355</u>	<u>60,534</u>
Operating lease right of use assets	14,949	-	-	-	14,949
Property, plant and equipment - net	1,656	74	(74) 2b	-	1,656
Other assets:					
Goodwill	7,926	-	5,760 2d	-	13,686
Intangible assets - net	2,872	-	5,520 2c	-	8,392
Other	479	-	-	-	479
Total other assets	<u>11,277</u>	<u>-</u>	<u>11,280</u>	<u>-</u>	<u>22,557</u>
Total Assets	<u>\$ 82,706</u>	<u>\$ 7,734</u>	<u>\$ (7,099)</u>	<u>\$ 16,355</u>	<u>\$ 99,696</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 4,502	\$ 1,370	\$ (735) 2b	\$ -	\$ 5,137
Operating lease liabilities, current	3,587	-	-	-	3,587
Other current liabilities	2,372	819	(100) 2b,e	-	3,091
Total current liabilities	<u>10,461</u>	<u>2,189</u>	<u>(835)</u>	<u>-</u>	<u>11,815</u>
Non-current liabilities:					
Long-term debt	8,112	-	-	16,355 2h,i	24,467
Operating lease liabilities, noncurrent	12,138	-	-	-	12,138
Reserve for unrecognized tax liabilities	394	-	-	-	394
Total non-current liabilities	<u>20,644</u>	<u>-</u>	<u>-</u>	<u>16,355</u>	<u>36,999</u>
Commitments and contingencies	-	-	-	-	-
Shareholders' equity:					
Common stock	132	1	(1)	-	132
Additional paid-in capital	57,888	-	-	-	57,888
Treasury stock - at cost	(15,821)	-	-	-	(15,821)
Retained earnings	9,402	5,544	(6,263)	-	8,683
Total shareholders' equity	<u>51,601</u>	<u>5,545</u>	<u>(6,264)</u>	<u>-</u>	<u>50,882</u>
Total Liabilities and Shareholders' Equity	<u>\$ 82,706</u>	<u>\$ 7,734</u>	<u>\$ (7,099)</u>	<u>\$ 16,355</u>	<u>\$ 99,696</u>

See notes to unaudited proforma condensed combined balance sheet

CROWN CRAFTS, INC. AND SUBSIDIARIES
 UNAUDITED PROFORMA CONDENSED COMBINED STATEMENT OF INCOME
 (amounts in thousands, except share and per share amounts)

	Crown Crafts, Inc. and Subsidiaries Consolidated Statement of Income Fiscal Year ended March 31, 2024	Baby Boom Consumer Products, Inc. Statement of Income Year Ended December 31, 2023	Transaction Adjustments	Financing Adjustments	Pro Forma Condensed Combined Fiscal Year ended March 31, 2024
Net sales	\$ 87,632	\$ 22,220	\$ -	\$ -	\$ 109,852
Cost of products sold	64,632	14,573	-	-	79,205
Gross profit	23,000	7,647	-	-	30,647
Marketing and administrative expenses	16,105	6,178	392	2f	22,675
Income from operations	6,895	1,469	(392)	-	7,972
Other income (expense):					
Interest expense - net of interest income	(734)	-	-	(1,187)	2j,k (1,921)
Other - net	67	-	-	-	67
Income before income taxes	6,228	1,469	(392)	(1,187)	6,118
Income tax expense (benefit)	1,334	(123)	230	2g (254)	2l 1,187
Net income	<u>\$ 4,894</u>	<u>\$ 1,592</u>	<u>\$ (622)</u>	<u>\$ (933)</u>	<u>\$ 4,931</u>
Weighted average shares outstanding:					
Basic	<u>10,210</u>				<u>10,210</u>
Diluted	<u>10,214</u>				<u>10,214</u>
Earnings per share:					
Basic	<u>\$ 0.48</u>				<u>\$ 0.48</u>
Diluted	<u>\$ 0.48</u>				<u>\$ 0.48</u>

See notes to unaudited proforma condensed combined financial statements

CROWN CRAFTS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. *Description of transaction:* On July 19, 2024 (the “Closing Date”), NoJo Baby & Kids, Inc. (“NoJo Baby”), a wholly-owned subsidiary of Crown Crafts, Inc. (the “Company”) completed the acquisition of Baby Boom Consumer Products, Inc. (“Baby Boom”) (the “Acquisition”), for a purchase price of \$18.0 million in cash, subject to a dollar-for-dollar adjustment to the extent that the working capital at closing is greater or less than the target working capital of \$6,515,809. The Acquisition was funded by the Company using the proceeds of an \$8.0 million term loan from The CIT Group/Commercial Services, Inc. (“CIT”) and additional borrowings under the Company’s revolving line of credit with CIT.

The cash paid on the Closing Date was calculated as follows (in thousands):

Purchase price	\$	18,000
Target working capital		(6,515)
Estimated working capital at Closing Date		4,870
Preliminary purchase price	\$	<u>16,355</u>

The table below represents the preliminary purchase price allocation for Baby Boom based on estimates, assumptions, valuations and other analyses as of the Closing Date, that have not been finalized in order to make a definitive allocation. Accordingly, the pro forma adjustments to allocate the purchase price will remain preliminary until management finalizes the fair values of assets acquired and liabilities assumed. The final amounts allocated to assets acquired and liabilities assumed, and therefore, calculation of goodwill, are dependent upon certain valuation and other studies that have not yet been completed and could differ materially from the amounts presented in the unaudited pro forma condensed combined financial statements.

The preliminary purchase price as shown in the table above is allocated to the tangible and intangible assets and liabilities of Baby Boom based on their estimated fair values, with any excess purchase consideration allocated to goodwill as follows (in thousands):

Purchase price	\$	<u>16,355</u>
Assets acquired:		
Accounts receivable		3,463
Inventories, net		1,989
Prepaid expenses and other current assets		258
Intangible assets - net		<u>5,520</u>
		11,230
Liabilities assumed:		
Accounts payable		<u>635</u>
		635
Total identifiable net assets acquired		10,595
Goodwill		<u>5,760</u>
Preliminary purchase price	\$	<u>16,355</u>

For purposes of the proforma combined balance sheet, the Acquisition is assumed to have been completed on March 31, 2024. Since the purchase price was determined based on cash balances and working capital on the Closing Date, the transaction adjustments include adjustments to cash and working capital amounts to remove assets not acquired in the transaction.

2. *Transaction adjustments:* The unaudited pro forma condensed combined balance sheet was prepared as if the Acquisition had occurred on March 31, 2024, and the unaudited proforma condensed combined statements of income were prepared as if the Acquisition had occurred on April 3, 2023, and reflect the following adjustments:

- a. To record the cash purchase price of \$16.3 million and adjust cash to the balance at the Closing Date
- b. To eliminate the historical book value of Baby Boom's assets and liabilities as of December 31, 2023 when the historical book value is different than the fair value on the date of the Acquisition
- c. To record acquired identifiable intangibles of \$5.5 million consisting of licensor relationships, and trade names
- d. To record the purchase price in excess of total identifiable net asset acquired of \$5.7 million
- e. To record transaction expenses of \$719,000 incurred after the proforma balance sheet date
- f. To record additional amortization expense resulting from purchase accounting
- g. To record estimated income tax on the historical results of Baby Boom and the tax effect of the transaction adjustments at 21.4%

Financing adjustments: The Acquisition was funded by the Company using the proceeds of an \$8.0 million term loan from CIT and additional borrowings under the Company's revolving line of credit with CIT. For purposes of the proforma combined balance sheet, the Company is assumed to have borrowed \$8.0 million from the term loan and \$8.3 million under the line of credit as this mirrors the amounts used on the Closing Date.

- h. To record borrowings of \$8.3 million under the Company's line of credit
- i. To record borrowings of \$8.0 million under the Company's term loan
- j. To record interest expense associated with borrowings used to fund the acquisition at an assumed interest rate of 6.94% for the line of credit
- k. To record interest expense associated with borrowings used to fund the acquisition at an assumed interest rate of 7.59% for the term loan
- l. To record the tax effect of the financing adjustments at 21.4%