

KBL Healthcare Acquisition Corp. II  
Form DEFM14A  
February 13, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to § 240.14a-2

**KBL HEALTHCARE ACQUISITION CORP. II**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:  
Common stock of KBL Healthcare Acquisition Corp. II.

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(2) Aggregate number of securities to which transaction applies:  
3,916,667

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
Average of the bid and ask price for common stock as of October 20, 2006: (\$5.385)

(4) Proposed maximum aggregate value of transaction:  
\$41,091,251.80

(5) Total fee paid:  
\$4,396.76

x Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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This proxy statement is dated February 12, 2007 and is first being mailed to KBL stockholders on or about February 14, 2007.

**KBL Healthcare Acquisition Corp. II**

**757 Third Avenue, 21<sup>st</sup> Floor**

**New York, New York 10017**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MARCH 6, 2007**

TO THE STOCKHOLDERS OF KBL HEALTHCARE ACQUISITION CORP. II:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of KBL Healthcare Acquisition Corp. II ( KBL ), a Delaware corporation, will be held at 10:00 a.m., eastern time, on March 6, 2007, at the offices of Graubard Miller, KBL s counsel, at The Chrysler Building, 405 Lexington Avenue, 19th Floor, New York, New York 10174. You are cordially invited to attend the meeting, which will be held for the following purposes:

- (1) to consider and vote upon the adoption of the Agreement and Plans of Reorganization ( Acquisition Agreement ), dated as of September 1, 2006, among KBL, SII Acquisition, Inc., a Rhode Island corporation and wholly owned subsidiary of KBL ( Merger Sub ), Summer Infant, Inc., a Rhode Island corporation ( SII ), Summer Infant Europe Limited, a United Kingdom limited company ( SIE ), Summer Infant Asia, Ltd., a Hong Kong limited company ( SIA and, collectively with SIE and SII, the Summer Companies or Summer ), and the stockholders of each of the Summer Companies, and the transactions contemplated thereby. We refer to this proposal as the acquisition proposal. The board of directors and stockholders of each of SII, SIE and SIA have already approved and adopted the Acquisition Agreement;
- (2) to consider and vote upon an amendment to the certificate of incorporation of KBL to change the name of KBL from KBL Healthcare Acquisition Corp. II to Summer Infant, Inc. We refer to this proposal as the name change amendment proposal ;
- (3) to consider and vote upon an amendment to the certificate of incorporation of KBL to increase the number of authorized shares of KBL common stock from 35,000,000 to 100,000,000. We refer to this proposal as the capitalization amendment proposal ;
- (4) to consider and vote upon an amendment to the certificate of incorporation of KBL to remove the preamble and sections A through D, inclusive, of Article Sixth from the certificate of incorporation from and after the closing of the acquisition, as these provisions will no longer be applicable to KBL, and to redesignate section E of Article Sixth as modified as Article Sixth of KBL s restated and amended certificate of incorporation. We refer to this proposal as the Article Sixth amendment proposal ; and
- (5) to consider and vote upon the 2006 performance equity plan (an equity-based performance equity plan). We refer to this proposal as the performance equity plan proposal.

These items of business are described in the attached proxy statement, which we encourage you to read in its entirety before voting. Only holders of record of KBL s common stock at the close of business on February 6, 2007 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements of the special meeting. KBL will not transact any other business at the special meeting or any adjournment or postponement of the meeting.

The acquisition proposal must be approved by a majority of the KBL common stock sold in KBL s initial public offering ( IPO ) that is present in person or represented by proxy and entitled to vote at the special meeting.

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Each of the name change amendment, capitalization amendment and Article Sixth amendment proposals must be approved by the holders of a majority of the outstanding shares of KBL common stock. The performance equity plan proposal must be approved by the holders of a majority of the shares of KBL common stock that is present in person or represented by proxy and entitled to vote at the meeting.

The adoption of the acquisition proposal is conditioned on the adoption of the name change amendment and the capitalization amendment, and neither the name change amendment nor the capitalization amendment will be presented to the meeting for adoption unless the acquisition proposal is approved. The adoption of the Article Sixth amendment and the performance equity plan proposals are not conditions to the acquisition proposal or to the adoption of either of the name change amendment or the capitalization amendment proposals, but if the acquisition proposal is not approved, neither the Article Sixth amendment proposal nor the performance equity proposal will be presented at the meeting for adoption.

Your broker, bank or nominee cannot vote your shares on any proposal unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee. Abstentions will have the same effect as a vote AGAINST the acquisition proposal and the name change amendment, capitalization amendment, Article Sixth amendment and the performance equity plan proposals. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the effect of votes against the name change amendment, capitalization amendment and Article Sixth amendment proposals, but will have no effect on the acquisition proposal or the performance equity plan proposal. However, since the adoption of the acquisition proposal is conditioned on the adoption of the name change amendment and capitalization amendment proposals, any broker non-vote with respect to the name change amendment or capitalization amendment proposals will essentially have the same effect as a vote against the acquisition proposal.

Each KBL stockholder that holds shares of common stock issued in KBL's IPO has the right to vote against the acquisition proposal and at the same time demand that KBL convert such stockholder's shares into cash equal to a pro rata portion of the funds held in the trust account into which a substantial portion of the net proceeds of KBL's IPO was deposited. The exact conversion price will be determined as of a date which is two business days prior to the anticipated date of the consummation of the acquisition. On February 6, 2007, the record date for the meeting of stockholders, the conversion price would have been approximately \$5.68 in cash for each share of KBL common stock. These shares will be converted into cash only if the acquisition is consummated. If, however, the holders of 20% (approximately 1,840,000 shares) or more shares of common stock issued in KBL's IPO both vote against the acquisition proposal and demand conversion of their shares, KBL will not consummate the acquisition. Prior to exercising conversion rights, KBL stockholders should verify the market price of KBL's common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights. Shares of KBL's common stock are quoted on the Over-the-Counter Bulletin Board under the symbol KBLH.OB. On February 6, 2007, the record date, the last sale price of KBL's common stock was \$5.60.

KBL's initial stockholders who purchased their shares of common stock prior to KBL's IPO, and which include all of KBL's directors and executive officers and their affiliates and are referred to collectively in this proxy statement as the KBL Inside Stockholders, currently own an aggregate of approximately 17.9% of the outstanding shares of KBL common stock. Each of the KBL Inside Stockholders has agreed to vote all of the shares they purchased prior to the IPO on the acquisition proposal in accordance with the vote of the majority of the votes cast by the holders of shares issued in the IPO. The KBL Inside Stockholders have also indicated that they intend to vote such shares FOR the adoption of the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals. These KBL insiders also have indicated they intend to vote any shares they acquire after the IPO for all of the proposals. As of the record date, these KBL insiders have not acquired any additional shares of KBL common stock since the IPO.

After careful consideration, KBL's board of directors has determined that the acquisition proposal, the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals are in the best interests of KBL's stockholders. KBL's board of directors unanimously recommends that you vote or give instruction to vote FOR the adoption of the acquisition proposal, the name change

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amendment proposal, the capitalization amendment proposal, the Article Sixth amendment proposal and the performance equity plan proposal.

All KBL stockholders are cordially invited to attend the special meeting in person. However, to ensure your representation at the meeting, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a stockholder of record of KBL common stock, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. If you do not vote or do not instruct your broker or bank how to vote, it will have the same effect as voting against the name change amendment, the capitalization amendment and the Article Sixth amendment proposals.

A complete list of KBL stockholders of record entitled to vote at the special meeting will be available for ten days before the special meeting at the principal executive offices of KBL for inspection by stockholders during ordinary business hours for any purpose germane to the special meeting.

Your vote is important regardless of the number of shares you own. Whether you plan to attend the special meeting or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

Thank you for your participation. We look forward to your continued support.

February 12, 2007

By Order of the Board of Directors

Sincerely,

/s/ DR. ZACHARY BERK

*Dr. Zachary Berk*

*Chairman of the Board and President*

Neither the Securities and Exchange Commission nor any state securities commission has determined if this proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

SEE RISK FACTORS FOR A DISCUSSION OF VARIOUS FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE ACQUISITION.

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**SUMMARY OF THE PROXY STATEMENT**

***Parties***

The parties to the acquisition are:

KBL Healthcare Acquisition Corp. II ( KBL ),

Summer Infant, Inc. ( SII ),

Summer Infant Europe, Limited ( SIE ), and Summer Infant Asia, Ltd. ( SIA ), each of which is an affiliate of SII and which are referred to herein collectively with SII as Summer or the Summer Companies,

All of the stockholders of each of the Summer Companies, and

SII Acquisition, Inc. ( Merger Sub ), a wholly owned subsidiary of KBL that was formed solely for the purpose of effecting the acquisition as described herein.

See the section entitled *The Acquisition Proposal*.

Summer is a privately-owned designer, marketer and distributor of health, safety and wellness products for infants and toddlers in the United States, Europe and Asia. See the section entitled *Business of Summer*.

***Acquisition Structure***

On closing of the acquisition:

SII will merge into the Merger Sub, with Merger Sub surviving the merger as a wholly owned subsidiary of KBL and changing its name to Summer Infant USA, Inc.

The stockholders of SIE and SIA will sell and transfer all of the outstanding capital stock of those companies to KBL, and each such company will become a wholly-owned subsidiary of KBL, and

the Merger Sub shall acquire all of the assets and liabilities of Faith Realty, LLC ( Faith Realty ), an entity owned by two of the Summer stockholders, which owns the facilities currently under construction that are intended for use by Summer as its principal offices and facilities.

See the section entitled *The Acquisition Proposal*.

***Acquisition Consideration***

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In return for all of their stock in each of SII, SIE and SIA, the stockholders of Summer will receive from KBL an aggregate of 3,916,667 shares of KBL common stock, subject to downward adjustment based upon the net worth of Summer at the closing, and \$20,000,000 in cash. The Summer stockholders will be entitled to receive an additional 2,500,000 shares of KBL's common stock if the market price of KBL's common stock exceeds certain levels for a prescribed period of time after closing. In addition, the Summer stockholders will be entitled to receive up to an aggregate of \$5,000,000 cash in the event Summer's EBITDA exceeds certain levels in one or more of the fiscal years ending December 31, 2006, 2007 and 2008.

Based on last sale price of a share of KBL common stock on September 1, 2006 (\$5.35), the date the Acquisition Agreement was signed by the parties, with respect to the shares to be issued at the closing of the acquisition, and assuming all contingent issuances of stock (valued at \$8.50 per share) and payments of cash are made, the value of the total maximum consideration that may be given by KBL in the acquisition is approximately \$67,204,168 or approximately \$77,304,168 giving effect to KBL's assumption of approximately \$10,100,000 of Summer's net debt (as measured at June 30, 2006). Based on a last sale price of a share of KBL common stock on February 6, 2007, the record date (\$5.60), such total maximum consideration is \$68,183,335 or approximately \$79,864,335 giving effect to KBL's assumption of

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approximately \$11,681,000 of Summer's net debt (as measured at September 30, 2006). See the section entitled *The Acquisition Agreement Acquisition Consideration*.

### ***Post-Closing Ownership of KBL Common stock***

As a result of the acquisition, and assuming that no KBL stockholder demands that KBL convert its shares to cash as permitted by KBL's certificate of incorporation, the stockholders of Summer will own approximately 25.9% of the outstanding KBL common stock and the current stockholders of KBL will own approximately 74.1% of the outstanding KBL common stock immediately after the closing of the acquisition. Assuming 19.9% of the outstanding KBL common stock votes against the acquisition and such stock is converted into cash, the existing KBL stockholders will own 69.6% of the outstanding common stock of KBL immediately following the closing. See the section entitled *The Acquisition Agreement Acquisition Consideration*.

### ***Escrow Agreement***

At the closing of the acquisition, 1,000,000 of the KBL shares to be issued to the Summer stockholders will be placed in escrow until the later of (a) the date that is sixteen months after the effective time of the acquisition and (b) the thirtieth day after the date that KBL files its Annual Report on Form 10-K for the year ended December 31, 2007, as a fund for the payment of indemnification claims that may be made by KBL as a result of breaches of Summer's covenants, representations and warranties in the Acquisition Agreement and certain lawsuits to which Summer is a party.

At the closing of the acquisition, 391,667 of the KBL shares to be issued to the Summer stockholders will be placed into escrow. If Summer's net worth (as defined in the Acquisition Agreement) at the closing of the acquisition is less than Summer's net worth at June 30, 2006, KBL shall be entitled to the return, without limit, of that number of shares of KBL common stock issued to the Summer stockholders equal to the difference in such net worth at both dates divided by \$6.00. All or a portion of the 391,667 shares held in escrow will be returned to KBL in the event the foregoing becomes applicable. If the difference between Summer's net worth at the closing of the acquisition and June 30, 2006 would result in KBL having the right to the return of more than the 391,667 shares held in escrow, the Summer stockholders will be obligated to return directly to KBL such additional shares. See the section entitled *The Acquisition Agreement Escrow Agreement*.

### ***Other Proposals***

In addition to voting on the acquisition, the stockholders of KBL will vote on proposals to change its name to Summer Infant Inc., to increase the number of shares of common stock it is authorized to issue from 35,000,000 to 100,000,000, to amend its charter to delete certain provisions that will no longer be operative after the acquisition and to approve the performance equity plan. See the sections entitled *Name Change Amendment Proposal*, *Capitalization Amendment Proposal*, *Article Sixth Amendment Proposal* and *2006 Equity Plan Proposal*.

### ***Lock-Up Agreements***

All of the stockholders of Summer have agreed not to sell any of the shares of KBL common stock they receive in the acquisition before April 21, 2008. See the section entitled *The Acquisition Agreement Lock-up Agreements*.

### ***Post-Acquisition Executive Officers and Employment Agreement***

At the closing of the acquisition Dr. Marlene Krauss, who is currently the chief executive officer of KBL, will become KBL's chairman of the board of directors. None of KBL's other current officers or directors

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will continue with KBL after the acquisition. All of the current officers of Summer will continue in their positions with Summer following the acquisition. In addition, at the closing of the acquisition, Jason Macari, Summer's current chief executive officer, also will become chief executive officer of KBL, Steven Gibree, Summer's current executive vice president of product development, also will become executive vice president of product development of KBL, Joseph Driscoll, Summer's current chief financial officer, also will become chief financial officer of KBL, and Rachelle Harel, SIE's current managing director, will become SIE's director and general manager. Each of Dr. Krauss, Messrs. Macari, Gibree and Driscoll and Ms. Harel will enter into employment agreements with KBL and/or Summer, effective as of the closing of the acquisition. See the section entitled *Directors and Executive Officers of KBL Following the Acquisition Employment Agreements*.

### ***Post-Acquisition Board of Directors***

After the acquisition, the board of directors of KBL will be comprised of two persons designated by the Summer stockholders, two persons designated by certain of KBL's current stockholders, and three persons mutually designated by such stockholders of Summer and KBL, in accordance with a voting agreement, dated as of September 1, 2006. The voting agreement provides that such stockholders of Summer and KBL will vote their shares of KBL common stock in favor of such designees to serve as directors of KBL through the annual meeting of stockholders of KBL to be held in 2009. See the section entitled *The Acquisition Agreement Election of Directors; Voting Agreement*.

### ***Federal Income Tax Consequences***

The acquisition will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and no gain or loss will be recognized by KBL or Summer as a result of the acquisition. Further, no gain or loss will be recognized by non-converting stockholders of KBL as a result of the acquisition. See the section entitled *The Acquisition Proposal Material Federal Income Tax Consequences of the Acquisition*.

### ***Fairness Opinion***

KBL received an opinion from Capitalink, L.C. that the acquisition on the terms and conditions set forth in the Acquisition Agreement is fair to KBL stockholders from a financial point of view and that the fair market value of Summer is at least equal to 80% of KBL's net assets. See the section entitled *The Acquisition Proposal Fairness Opinion*.

### **Recommendation of KBL Board of Directors**

KBL's board of directors:

has unanimously determined that the acquisition proposal and each of the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals is in the best interests of KBL and its stockholders;

has unanimously approved the acquisition proposal and each of the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals;

unanimously recommends that KBL's common stockholders vote FOR the acquisition proposal;

unanimously recommends that KBL's common stockholders vote FOR the name change amendment proposal;

unanimously recommends that KBL's common stockholders vote FOR the capitalization amendment proposal;



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unanimously recommends that KBL's common stockholders vote FOR the Article Sixth amendment proposal; and

unanimously recommends that KBL's common stockholders vote FOR the proposal to approve the performance equity plan.

***Summer Stockholders Approval***

All of the stockholders of Summer have approved the acquisition by written consent for purposes of the corporate laws of the State of Rhode Island and each of the United Kingdom and Hong Kong. Accordingly, no further action by the Summer stockholders is needed to approve the acquisition.

***Reasons for the Acquisition***

KBL believes that Summer, with its experienced compounded annual growth rate in net sales of more than 200% from net sales of approximately \$400,000 in fiscal 2001 (the year Summer was purchased by the current management) to net sales of approximately \$35,500,000 in fiscal 2005, is positioned for continued growth in its markets and believes that a business combination with Summer will provide KBL stockholders with an opportunity to participate in a company with significant growth potential.

***Risk Factors***

In analyzing the proposed acquisition, KBL notes that Summer has aggregate existing net indebtedness of approximately \$11,681,000 as of September 30, 2006, Summer recently was required to negotiate waivers with respect to its noncompliance with certain covenants under an existing loan facility, and Summer is involved in certain litigations and claims. See the section entitled *Summer's Management Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*.

In evaluating the acquisition proposal, the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposal, you should carefully read this proxy statement and consider the factors discussed in the section entitled *Risk Factors*.

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**QUESTIONS AND ANSWERS ABOUT THE PROPOSALS**

**Q. Why am I receiving this proxy statement?**

- A. KBL and Summer have agreed to a business combination under the terms of the Agreement and Plans of Reorganization, dated as of September 1, 2006, as described in this proxy statement. This agreement is referred to as the Acquisition Agreement. A copy of the Acquisition Agreement is attached to this proxy statement as *Annex A*, and we encourage you to read it in its entirety.

In order to complete the acquisition, KBL stockholders must vote to approve (i) the Acquisition Agreement, (ii) an amendment to KBL's certificate of incorporation to change the name of KBL from KBL Healthcare Acquisition Corp. II to Summer Infant, Inc., and (iii) an amendment to KBL's certificate of incorporation to increase the number of shares of authorized common stock from 35,000,000 to 100,000,000. KBL stockholders also will be asked to vote to approve (a) an amendment to KBL's certificate of incorporation to make certain modifications to Article Sixth thereof and (b) the performance equity plan, but such approvals are not conditions to the acquisition. The performance equity plan has been approved by KBL's board of directors and will be effective upon consummation of the acquisition, if approved by the stockholders. KBL's amended and restated certificate of incorporation, as it will appear if all amendments proposed hereby are approved, is attached to this proxy statement as *Annex B*. The performance equity plan is attached to this proxy statement as *Annex C*.

KBL will hold a special meeting of its stockholders to obtain these approvals. This proxy statement contains important information about the proposed acquisition, the other proposals and the meeting of KBL stockholders. You should read it carefully.

**Your vote is important. We encourage you to vote as soon as possible after carefully reviewing this proxy statement.**

**Q. What is being voted on?**

- A. There are five specific proposals on which the KBL stockholders are being asked to vote. The first proposal is to adopt and approve the Acquisition Agreement and the transactions contemplated thereby. We refer to this proposal as the acquisition proposal.

The second proposal is to approve an amendment to the certificate of incorporation to change the name of KBL from KBL Healthcare Acquisition Corp. II to Summer Infant, Inc. We refer to this proposal as the name change amendment proposal.

The third proposal is to approve an amendment to the certificate of incorporation to increase the number of authorized shares of KBL common stock from 35,000,000 to 100,000,000. We refer to this proposal as the capitalization amendment proposal.

The fourth proposal is to approve an amendment to the certificate of incorporation to remove the preamble and sections A through D, inclusive, of Article Sixth from the certificate of incorporation from and after the closing and to redesignate and modify Section E of Article Sixth as Article Sixth. The items being removed will no longer be operative upon consummation of the acquisition; therefore, this amendment is being proposed to revise the certificate of incorporation on a going-forward basis. We refer to this proposal as the Article Sixth amendment proposal.



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The fifth proposal is to approve KBL’s 2006 performance equity plan under which an aggregate of 1,600,000 shares of KBL common stock shall be reserved for option grants and other awards to officers, directors, employees and consultants of KBL. We refer to this proposal as the performance equity plan proposal.

KBL’s initial stockholders who purchased their shares of common stock prior to KBL’s IPO, and which include all of KBL’s directors and executive officers and their affiliates and are referred to collectively in this proxy statement as the KBL Inside Stockholders, currently own an aggregate of approximately 17.9% of the outstanding shares of KBL common stock. Each of the KBL Inside Stockholders has agreed to vote all of the shares they purchased prior to the IPO on the acquisition proposal in accordance with the vote of the majority of the votes cast by the holders of shares issued in the IPO. Accordingly, their vote will have no effect on the outcome of the acquisition proposal. The KBL Inside Stockholders also have indicated that they intend to vote such shares in favor of all other proposals being presented at the special meeting. The KBL Inside Stockholders also have indicated that they intend to vote any shares they acquire after the IPO for all of the proposals. As of the record date, the KBL Inside Stockholders have not acquired any additional shares of KBL common stock since the IPO.

- Q. What vote is required in order to adopt the acquisition proposal?**      **A.** The approval of the acquisition proposal will require the affirmative vote of holders of a majority of the shares of KBL common stock sold in KBL’s IPO that are present in person or represented by proxy and entitled to vote at the special meeting. If the holders of 20% or more of the shares of the common stock issued in KBL’s IPO both vote against the acquisition proposal and demand that KBL convert their shares into a pro rata portion of KBL’s trust account, then the acquisition will not be consummated. No vote of the holders of KBL’s warrants is necessary to adopt the acquisition proposal or any of the other proposals and KBL is not asking the warrant holders to vote on the acquisition proposal or the other proposals. KBL will not consummate the acquisition unless both the name change amendment and the capitalization amendment proposals are also approved. The approval of the Article Sixth amendment and the performance equity plan proposals are not conditions to the consummation of the acquisition. If the acquisition proposal is not approved, none of the other proposals will be presented for approval.
- Q. What vote is required in order to adopt the name change amendment proposal?**      **A.** The approval of the name change amendment proposal will require the affirmative vote of the holders of a majority of the outstanding shares of KBL’s common stock. The approval of the name change amendment proposal is a condition to the consummation of the acquisition.
- Q. What vote is required in order to adopt the capitalization amendment proposal?**      **A.** The approval of the capitalization amendment proposal will require the affirmative vote of the holders of a majority of the outstanding shares of KBL’s common stock. The approval of the capitalization amendment proposal is a condition to the consummation of the acquisition.
- Q. What vote is required in order to adopt the Article Sixth amendment proposal?**      **A.** The approval of the Article Sixth amendment proposal will require the affirmative vote of the holders of a majority of the outstanding shares of KBL’s common stock. The approval of the Article Sixth amendment proposal is not a condition to the consummation of the acquisition or to the effectuation of the name change amendment or the capitalization amendment.

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- Q. What vote is required in order to adopt the performance equity plan proposal?**      **A.** The approval of the performance equity plan proposal will require the affirmative vote of the holders of a majority of the shares of KBL common stock represented in person or by proxy and entitled to vote at the special meeting. The approval of the performance equity plan proposal is not a condition to the approval of the acquisition proposal or to the effectuation of the name change amendment or the capitalization amendment.
- Q. Why is KBL proposing the performance equity plan?**      **A.** KBL is proposing the performance equity plan to enable it to attract, retain and reward its directors, officers, employees and consultants using equity-based incentives. The performance equity plan has been approved by KBL’s board of directors and will be effective upon consummation of the acquisition, subject to stockholder approval of the plan.
- Q. How do the proposals affect each other?**      **A.** The acquisition will not be consummated unless each of the name change amendment and the capitalization amendment proposals is approved, and neither the name change amendment nor the capitalization amendment proposals will be presented to the meeting for adoption unless the acquisition proposal is approved. If the name change amendment or capitalization amendment proposals are not approved the acquisition proposal will not be deemed approved. The approval of the Article Sixth amendment and the performance equity plan proposals is not a condition to the consummation of the acquisition or to the adoption of either of the name change amendment or the capitalization amendment proposals but, if the acquisition proposal is not approved, neither the Article Sixth amendment nor the performance equity plan proposed will be presented at the meeting for adoption. See the section entitled *Special Meeting of KBL Stockholders Vote of KBL Stockholders Required*.
- Q. Do I have conversion rights?**      **A.** If you hold shares of common stock issued in KBL’s IPO, then you have the right to vote against the acquisition proposal and demand that KBL convert such shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of KBL’s IPO are held. We sometimes refer to these rights to vote against the acquisition and demand conversion of the shares into a pro rata portion of the trust account as conversion rights.
- Q. How do I exercise my conversion rights?**      **A.** If you wish to exercise your conversion rights, you must (i) vote against the acquisition proposal, (ii) demand that KBL convert your shares into cash and (iii) tender your stock certificates to KBL’s transfer agent prior to the special meeting. Any action that does not include an affirmative vote against the acquisition will prevent you from exercising your conversion rights. Your vote on any proposal other than the acquisition proposal will have no impact on your right to seek conversion.

You may exercise your conversion rights either by checking the box on the proxy card or by submitting your request in writing to KBL at the address listed at the end of this section. If you (i) initially vote for the acquisition proposal but then wish to vote against it and exercise your conversion rights or (ii) initially vote against the acquisition proposal and wish to exercise your conversion rights but do not check the box on the proxy card providing for the exercise of your conversion rights or do not send a written request to KBL to exercise your conversion rights, or (iii) initially vote against the acquisition but later wish to vote for it, you may request KBL to send you another proxy card on which you may indicate your intended vote and, if that vote is against the acquisition

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proposal, exercise your conversion rights by checking the box provided for such purpose on the proxy card. You may make such request by contacting KBL at the phone number or address listed at the end of this section. Any corrected or changed proxy card or written demand of conversion rights must be received by KBL prior to the special meeting. No demand for conversion will be honored unless the holder's stock certificate has been delivered to KBL's transfer agent prior to the special meeting.

If, notwithstanding your negative vote, the acquisition is completed, then you will be entitled to receive a pro rata portion of the trust account, including any interest earned thereon, calculated as of two business days prior to the anticipated date of the consummation of the acquisition. As of the record date, there was approximately \$52,263,748 in trust, which would amount to approximately \$5.68 per share upon conversion. If

you exercise your conversion rights, then you will be exchanging your shares of KBL common stock for cash and will no longer own these shares.

Exercise of your conversion rights does not result in either the conversion or a loss of your warrants. Your warrants will continue to be outstanding and exercisable following a conversion of your common stock unless we do not consummate the acquisition.

- Q. What if I object to the proposed acquisition? Do I have appraisal rights?** **A.** KBL Stockholders do not have appraisal rights in connection with the acquisition under the General Corporation Law of the State of Delaware ( "DGCL" ).
- Q. What happens to the funds deposited in the trust account after consummation of the acquisition?** **A.** After consummation of the acquisition, KBL stockholders properly electing to exercise their conversion rights will receive their pro rata portion of the funds in the trust account. The balance of the funds in the trust account will be released to KBL and will become funds of the consolidated companies.
- Q. What happens if the acquisition is not consummated?** **A.** KBL must liquidate if it does not consummate a business combination by April 27, 2007. In any liquidation, the funds held in the trust account, plus any interest earned thereon, together with any remaining out-of-trust net assets, will be distributed pro rata to the holders of KBL's common stock acquired in KBL's IPO. Holders of KBL common stock acquired prior to the IPO, including all of KBL's officers and directors, have waived any right to any liquidation distribution with respect to those shares.
- Q. When do you expect the acquisition to be completed?** **A.** It is currently anticipated that the acquisition will be consummated promptly following the KBL special meeting on March 6, 2007. For a description of the conditions to completion of the acquisition, see the sections entitled *The Acquisition Agreement* and *Conditions to the Closing of the Acquisition*.
- Q. What do I need to do now?** **A.** KBL urges you to read carefully and consider the information contained in this proxy statement, including the annexes, and to consider how the acquisition will affect you as a stockholder of KBL. You should then vote as soon as possible in accordance with the instructions provided in this proxy statement and on the enclosed proxy card.



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If you intend to vote against the acquisition and seek conversion of your shares, you will need to deliver your stock certificate to KBL's transfer agent prior to the meeting. If you have questions regarding the certification of your position or delivery of your stock certificate, please contact:

Mark Zimkind

Continental Stock Transfer & Trust Company

17 Battery Place, 8th Floor

New York, New York 10004

Telephone: (212) 845-3287

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**SELECTED SUMMARY HISTORICAL AND PRO FORMA**

**CONSOLIDATED FINANCIAL INFORMATION**

We are providing the following selected financial information to assist you in your analysis of the financial aspects of the acquisition.

Summer's combined statements of income for the years ended December 31, 2005, 2004 and 2003 and consolidated balance sheet as of December 31, 2005 and 2004 are derived from Summer's consolidated financial statements audited by Goldstein Golub Kessler LLP (GGK), and are included elsewhere in this proxy statement.

Summer's combined statements of income for the nine months ended September 30, 2006 and September 30, 2005 and consolidated balance sheet as of September 30, 2006 are derived from Summer's unaudited interim consolidated financial statements, which are included elsewhere in this proxy statement. In the opinion of Summer's management, the unaudited interim financial statements include all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of such consolidated financial statements.

All of Summer's combined financial information in this proxy statement includes Faith Realty. As of September 30, 2006, Faith Realty had \$633,000 of assets and \$440,000 of liabilities.

KBL's statements of operations for the year ended December 31, 2005, for the period from December 9, 2004 (inception) to December 31, 2004 and for the period from December 9, 2004 (inception) to December 31, 2005 and balance sheets as of December 31, 2005 and 2004 are derived from the KBL financial statements audited by GGK, independent registered public accountants, which are included elsewhere in this proxy statement.

KBL's statements of operations for the nine months ended September 30, 2006 and September 30, 2005 and for the period from December 9, 2004 (inception) to September 30, 2006 and balance sheet as of September 30, 2006 are derived from KBL's unaudited interim financial statements which are included elsewhere in this proxy statement. In the opinion of KBL's management, the unaudited interim financial statements include all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of such financial statements.

The selected financial information of Summer and KBL is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes and *Summer's Management's Discussion and Analysis of Financial Condition and Results of Operations* contained elsewhere in this proxy statement. The information presented may not be indicative of the future performance of Summer, KBL or the combined company resulting from the acquisition.

**Table of Contents****Summer's Selected Historical Financial Information**

(In thousands of dollars)

	Nine Months Ended September 30,		Year Ended December 31,		
	2006 (unaudited)	2005	2005	2004	2003
<b>Statement of Income:</b>					
Net sales	\$ 39,813	\$ 26,481	\$ 35,535	\$ 20,855	\$ 17,580
Cost of goods sold	24,512	17,450	23,008	13,004	11,101
Gross profit	15,301	9,031	12,527	7,851	6,479
Selling, general & administrative expenses	12,027	7,361	10,559	7,156	4,970
Income from operations	3,274	1,670	1,968	695	1,509
Interest expense	653	307	451	131	120
Other expense/(income)	0	0	0	0	116
Tax expense	29	13	31	49	28
Minority interest in net income of affiliates	287	156	161	73	136
Net income	\$ 2,305	\$ 1,194	\$ 1,329	\$ 442	\$ 1,109

	September 30,		December 31,		
	2006 (unaudited)	2005	2005	2004	2003
<b>Balance Sheet:</b>					
Total assets	\$ 26,440		\$ 18,007	\$ 10,327	\$ 6,886
Total current liabilities	20,479		14,982	8,201	5,017
Total long-term liabilities	1,078		560	791	1,026
Minority interest	657		370	209	136
Stockholders' equity	4,226		2,095	1,126	707
<b>Other Data (unaudited):</b>					
EBITDA <sup>(a)</sup>	\$ 3,745	\$ 1,976	\$ 2,379	\$ 922	\$ 1,537

	Nine Months Ended September 30,		Year Ended December 31,		
	2006 (unaudited)	2005	2005	2004	2003
<b>Other Cash Flow Data:</b>					
Cash flow from operations <sup>(b)</sup>	\$ (2,876)	\$ (2,924)	\$ (2,248)	\$ (1,420)	\$ 1,139
Cash flow from investing activities	(1,818)	(1,370)	(1,981)	(478)	(404)
Cash flow from financing activities	3,686	4,016	4,605	1,786	(37)
Effect on cash from exchange rates	137	254	(4)	(17)	12
Net change in cash	\$ (871)	\$ (24)	\$ 372	\$ (129)	\$ 710

- (a) Summer presents EBITDA because this information is relevant to its business. Summer defines EBITDA as net income (loss) before income taxes, minority interest in net income of affiliates, interest expense, and depreciation and amortization. Summer's management uses EBITDA as an important supplemental financial measure to assess the ability of Summer's assets to generate cash sufficient to pay interest on its indebtedness, to meet capital expenditure and working capital requirements, and otherwise meet its obligations as they become due. Although Summer uses EBITDA as a financial measure to assess the performance of its business, there are material limitations in using

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EBITDA as an analytical tool and it should not be considered in isolation or as a substitute for analysis of Summer s results as reported in



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accordance with GAAP. Summer compensates for these limitations by considering EBITDA in conjunction with its analysis of other GAAP financial measures, such as net income (loss). See Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Discussion for a discussion of our use of EBITDA and certain limitations of EBITDA as a financial measure. EBITDA also is one of the key measures used by Capitalink in the valuation of the Company as described in the section of this proxy statement entitled Fairness Opinion and by KBL in its evaluation of Summer in connection with the proposed acquisition.

The following table presents a reconciliation of EBITDA to net income, its most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

**Reconciliation of unaudited EBITDA, as adjusted, to Net Income (In thousands)**

	Nine Months Ended September 30		Fiscal Year Ended December 31		
	2006	2005	2005	2004	2003
Net income	\$ 2,305	\$ 1,194	\$ 1,325	\$ 442	\$ 1,109
Income taxes*	29	13	31	49	28
Minority interest in net income of affiliates	287	156	161	73	136
Interest expense	653	307	451	131	120
Depreciation and amortization	470	306	411	227	144
EBITDA	\$ 3,744	\$ 1,976	\$ 2,379	\$ 922	\$ 1,537

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\* SII is an S Corporation.

- (b) Cash flow from operations has been negative for the past several reporting periods due to the increases in inventory and accounts receivable that have occurred as a result of Summer's significant revenue growth.

**Table of Contents****KBL's Selected Historical Financial Information**

(In thousands, except per share amounts)

**Statement of Operations:**

	Nine Months Ended		For the Year Ended	For the Period December 9, 2004 (inception) to December 31, 2004	For the Period December 9, 2004 (inception) to December 31, 2005
	September 30				
	2006	2005	December 31,		
	(unaudited)		2005		
<b>Income:</b>					
Interest	\$ 1,103	\$ 512	\$ 896	\$	\$ 896
Total income	1,103	512	896		896
<b>Expenses:</b>					
Total operating expenses	469	226	322	1	323
Income (loss) before provision for income taxes	634	286	574	(1)	573
Provision for income taxes	132	131	265		265
Net income (loss)	\$ 502	\$ 155	\$ 309	\$ (1)	\$ 308
Net income (loss) per share basic and diluted	\$ 0.04	\$ 0.02	\$ 0.04	\$ (0.00)	