

KBL Healthcare Acquisition Corp. II
Form DEFM14A
February 13, 2007
Table of Contents

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 ☒ x

Filed by a Party other than the Registrant ☐ "

Check the appropriate box:

- | | |
|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to § 240.14a-2 | |

KBL HEALTHCARE ACQUISITION CORP. II

(Name of Registrant as Specified in Its Charter)

(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.

Edgar Filing: KBL Healthcare Acquisition Corp. II - Form DEFM14A

(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:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

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, 21st Floor

New York, New York 10017

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

TABLE OF CONTENTS

<u>SUMMARY OF THE PROXY STATEMENT</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE PROPOSALS</u>	5
<u>SELECTED SUMMARY HISTORICAL AND PRO FORMA</u>	
<u>CONSOLIDATED FINANCIAL INFORMATION</u>	11
<u>Summer's Selected Historical Financial Information</u>	12
<u>KBL's Selected Historical Financial Information</u>	14
<u>Selected Unaudited Pro Forma Combined Financial Information of KBL and Summer</u>	14
<u>Selected Pro Forma Condensed Combined Statement of Income</u>	15
<u>Selected Pro Forma Condensed Combined Balance Sheet</u>	16
<u>Comparative Per Share Data</u>	17
<u>RISK FACTORS</u>	18
<u>Risks Related to KBL's Business and Operations Following the Acquisition of Summer</u>	18
<u>Risks Related to the Acquisition</u>	20
<u>SPECIAL MEETING OF KBL STOCKHOLDERS</u>	25
<u>General</u>	25
<u>Date, Time and Place</u>	25
<u>Purpose of the KBL Special Meeting</u>	25
<u>Recommendation of KBL Board of Directors</u>	25
<u>Record Date: Who is Entitled to Vote</u>	26
<u>Quorum</u>	26
<u>Abstentions and Broker Non-Votes</u>	26
<u>Vote of KBL's Stockholders Required</u>	26
<u>Voting Your Shares</u>	27
<u>Revoking Your Proxy</u>	27
<u>Who Can Answer Your Questions About Voting Your Shares</u>	27
<u>No Additional Matters May Be Presented at the Special Meeting</u>	28
<u>Conversion Rights</u>	28
<u>Appraisal Rights</u>	28
<u>Proxy Solicitation Costs</u>	28
<u>KBL Inside Stockholders</u>	29
<u>THE ACQUISITION PROPOSAL</u>	30
<u>General Description of the Acquisition</u>	30
<u>Background of the Acquisition</u>	30
<u>KBL's Board of Directors' Reasons for Approval of the Acquisition</u>	36
<u>Satisfaction of 80% Test</u>	40
<u>Interest of KBL's Directors and Officers in the Acquisition</u>	40
<u>Recommendation of KBL's Board of Directors</u>	41
<u>Fairness Opinion</u>	41
<u>Material Federal Income Tax Consequences of the Acquisition</u>	48
<u>Anticipated Accounting Treatment</u>	49
<u>Regulatory Matters</u>	49
<u>THE ACQUISITION AGREEMENT</u>	50
<u>General: Structure of Acquisition</u>	50
<u>Closing and Effective Time of the Acquisition</u>	50
<u>Acquisition Consideration</u>	50
<u>Escrow Agreement</u>	51
<u>Lock-Up Agreements</u>	51
<u>Employment Agreements</u>	51
<u>Election of Directors: Voting Agreement</u>	52
<u>Registration Rights Agreement</u>	52
<u>Representations and Warranties</u>	52

Table of Contents

<u>Covenants</u>	53
<u>Conditions to the Closing of the Acquisition</u>	56
<u>Indemnification</u>	57
<u>Termination</u>	58
<u>Net Worth Asset Share Adjustment</u>	58
<u>Effect of Termination</u>	59
<u>Fees and Expenses</u>	59
<u>Confidentiality; Access to Information</u>	59
<u>Amendments</u>	60
<u>Extension; Waiver</u>	60
<u>Public Announcements</u>	60
<u>Arbitration</u>	60
<u>UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	61
<u>Unaudited Pro Forma Condensed Consolidated Balance Sheet Assuming No Conversions (at September 30, 2006)</u>	62
<u>Unaudited Pro Forma Condensed Consolidated Balance Sheet Assuming Maximum conversions (at September 30, 2006)</u>	63
<u>Unaudited Pro Forma Condensed Consolidated Statement of Income and Per Share Data Consolidated Assuming No Conversions (for nine months ended September 30, 2006)</u>	64
<u>Unaudited Pro Forma Condensed Consolidated Statement of Income and Per Share Data Assuming Maximum Conversions (for nine months ended September 30, 2006)</u>	65
<u>Unaudited Pro Forma Condensed Consolidated Statement of Income and Per Share Data Assuming No Conversions (for year ended December 31, 2005)</u>	66
<u>Unaudited Pro Forma Condensed Consolidated Statement of Income and Per Share Data Assuming Maximum Conversions (for year ended December 31, 2005)</u>	67
<u>Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements</u>	68
<u>Purchase Accounting Adjustment</u>	69
<u>NAME CHANGE AMENDMENT PROPOSAL</u>	71
<u>CAPITALIZATION AMENDMENT PROPOSAL</u>	72
<u>ARTICLE SIXTH AMENDMENT PROPOSAL</u>	73
<u>2006 PERFORMANCE EQUITY PLAN PROPOSAL</u>	75
<u>Background</u>	75
<u>Administration</u>	75
<u>Stock Subject to the Plan</u>	75
<u>Eligibility</u>	75
<u>Types of Awards</u>	76
<u>Competition; Solicitation of Customers and Employees; Disclosure of Confidential Information</u>	78
<u>Withholding Taxes</u>	78
<u>Term and Amendments</u>	78
<u>Federal Income Tax Consequences</u>	79
<u>Recommendation and Vote Required</u>	81
<u>OTHER INFORMATION RELATED TO KBL</u>	82
<u>Business of KBL</u>	82
<u>Offering Proceeds Held in Trust</u>	82
<u>Fair Market Value of Target Business</u>	82
<u>Stockholder Approval of Business Combination</u>	82
<u>Liquidation if No Business Combination</u>	83
<u>Facilities</u>	85
<u>Employees</u>	85
<u>Periodic Reporting and Audited Financial Statements</u>	85
<u>Legal Proceedings</u>	85
<u>Plan of Operations</u>	85

Table of Contents

<u>Off-Balance Sheet Arrangements</u>	86
<u>BUSINESS OF SUMMER</u>	87
<u>General</u>	87
<u>Products</u>	87
<u>Product Development and Design</u>	88
<u>Suppliers and Manufacturing</u>	89
<u>Sales and Marketing</u>	89
<u>Competition</u>	89
<u>Intellectual Property</u>	90
<u>Customers</u>	90
<u>Geographic Regions</u>	90
<u>Facilities</u>	90
<u>Regulatory Matters</u>	91
<u>Insurance</u>	91
<u>Legal Proceedings</u>	91
<u>Employees</u>	92
<u>SUMMER'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	93
<u>Company Overview</u>	96
<u>Results of Operations</u>	98
<u>Liquidity and Capital Resources</u>	101
<u>Non-GAAP Discussion</u>	104
Reconciliation of unaudited EBITDA, as adjusted, to Net Income	104
<u>Recently Issued Accounting Pronouncements</u>	105
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	105
<u>DIRECTORS AND EXECUTIVE OFFICERS OF KBL FOLLOWING THE ACQUISITION</u>	107
<u>Meetings and Committees of the Board of Directors of KBL</u>	109
<u>Independence of Directors</u>	109
<u>Audit Committee</u>	109
<u>Independent Auditors' Fees</u>	109
<u>Code of Ethics</u>	110
<u>Compensation Committee Information</u>	110
<u>Nominating Committee Information</u>	111
<u>Election of Directors: Voting Agreement</u>	111
<u>Executive Compensation</u>	112
<u>Compensation Discussion and Analysis</u>	112
<u>Employment Agreements</u>	114
<u>BENEFICIAL OWNERSHIP OF SECURITIES</u>	117
<u>Security Ownership of Certain Beneficial Owners and Management</u>	117
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	120
<u>KBL Related Party Transactions</u>	120
<u>Summer Related Party Transactions</u>	122
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	122
<u>DESCRIPTION OF KBL COMMON STOCK AND OTHER SECURITIES</u>	123
<u>General</u>	123
<u>Common Stock</u>	123
<u>Preferred Stock</u>	123
<u>Warrants</u>	124
<u>PRICE RANGE OF KBL SECURITIES AND DIVIDENDS</u>	125
<u>Holders</u>	125
<u>Dividends</u>	125
<u>APPRAISAL RIGHTS</u>	126
<u>STOCKHOLDER PROPOSALS</u>	126

Table of Contents

<u>INDEPENDENT AUDITORS</u>	126
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	127
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

Annex A	-	Agreement and Plans of Reorganization	A-1
Annex B	-	Amended and Restated Certificate of Incorporation	B-1
Annex C	-	2006 Performance Equity Plan	C-1
Annex D	-	Voting Agreement	D-1
Annex E	-	Fairness Opinion of Capitalink, L.C.	E-1
Annex F	-	Form of Escrow Agreement	F-1
Annex G	-	Form of Registration Rights Agreement	G-1
Annex H	-	Form of Tax Opinion to be Issued by Graubard Miller	H-1
Annex I	-	Form of Employment Agreement between KBL and Dr. Marlene Krauss	I-1
Annex J	-	Form of Employment Agreement between KBL and Jason Macari	J-1
Annex K	-	Form of Employment Agreement between KBL and Steven Gibree	K-1
Annex L	-	Form of Employment Agreement between Summer and Joseph Driscoll	L-1
Annex M	-	Form of Employment Agreement between Summer and Rachelle Harel	M-1

Table of Contents

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

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

Table of Contents

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

Table of Contents

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;

Table of Contents

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*.

Table of Contents

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.