

Summer Infant, Inc.  
Form 10-Q/A  
November 19, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q/A**

(Amendment No. 1)

**Quarterly Report Under Section 13 or 15d**  
**of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2008**

**Summer Infant, Inc.**

(Name of Registrant as Specified in Its Charter)

Commission file 001-33346

**Delaware**  
(State of Incorporation)

**20-1994619**  
IRS Employment Number

**1275 Park East Drive**

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Woonsocket, RI 02895  
(Address of principal executive offices)

(401) 671-6550  
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer  Accelerated filer  Non-accelerated filer  smaller reporting company

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act.

Yes  No

As of October 29, 2008, there were 15,055,782 shares outstanding of the registrant's Common Stock, \$.0001 par value per share.

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Table of Contents

Summer Infant, Inc.

Form 10Q

Table of Contents

	Page Number
<b><u>Part I.</u></b>	<b><u>Financial Information</u></b>
<b><u>Item 1.</u></b>	<b><u>Condensed Consolidated Financial Statements (unaudited)</u></b>
	<b><u>Condensed Consolidated Balance Sheets September 30, 2008 (unaudited) and December 31, 2007</u></b> 4
	<b><u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2008 and 2007 (unaudited)</u></b> 5
	<b><u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007 (unaudited)</u></b> 6
	<b><u>Notes to Condensed Consolidated Financial Statements</u></b> 7
<b><u>Item 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b> 12
<b><u>Item 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b> N/A
<b><u>Item 4T. Controls and Procedures</u></b>	19
<b><u>Part II.</u></b>	<b><u>Other Information</u></b> 20
<b><u>Item 1.</u></b>	<b><u>Legal Proceedings</u></b>
<b><u>Item 1A. Risk Factors</u></b>	20
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Funds</u></b>	
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	
<b><u>Item 4. Submission of Matters to a Vote of Security Holders</u></b>	20
<b><u>Item 5. Other Information</u></b>	20
<b><u>Item 6. Exhibits</u></b>	20
<b><u>Signatures</u></b>	21

Table of Contents

**Explanatory Note**

Summer Infant, Inc. (the Company) is filing this Amendment No. 1 on Form 10-Q/A (this Amended Report) to amend the Company's Form 10-Q for the fiscal quarter ended September 30, 2008 (the Original Report) solely to furnish correct versions of the certifications required to be furnished by Rule 13a-14(b) of the Securities Exchange Act of 1934 (the Section 906 Certifications). The Section 906 Certifications furnished with the Original Report inadvertently referenced the wrong periodic report.

Accordingly, we are filing this Amended Report in order to amend Exhibits 32.1 and 32.2 referenced in Item 6 of Part II of the Original Report (and furnished with the Original Report) to the extent necessary to reflect correct Section 906 Certifications. The remaining Items of our Original Report are not amended hereby and are repeated herein only for the reader's convenience.

In order to preserve the nature and character of the disclosures set forth in the Original Report, except as expressly noted above, this report speaks as of the date of the filing of the Original Report, November 7, 2008, and we have not updated the disclosures in this report to speak as of a later date. All information contained in this Amended Report is subject to updating and supplementing as provided in our reports filed with the SEC subsequent to the date of the Original Report.

Table of Contents**Summer Infant, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

Note that all dollar amounts presented in the table below are in thousands of US dollars except share and per share amounts.

	<b>September 30, 2008 Unaudited</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,451	\$ 1,771
Trade receivables, net of allowance for doubtful accounts	29,402	21,245
Inventory, primarily finished goods	31,164	19,327
Prepays and other current assets	1,417	970
Deferred tax assets	402	134
<b>TOTAL CURRENT ASSETS</b>	<b>63,836</b>	<b>43,447</b>
Property and equipment, net	10,407	9,279
Goodwill	44,723	30,820
Other intangible assets, net	10,906	9,463
Other assets	244	216
<b>TOTAL ASSETS</b>	<b>\$ 130,116</b>	<b>\$ 93,225</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit - bank	\$	\$ 17,591
Accounts payable and accrued expenses	24,171	17,574
Current portion of long term liabilities	2,312	265
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,483</b>	<b>35,430</b>
Long term liabilities, less current portion	41,315	3,977
Deferred tax liabilities	573	548
<b>TOTAL LIABILITIES</b>	<b>68,371</b>	<b>39,955</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY</b>		
Common Stock \$.0001 par value, issued and outstanding 15,055,782 and 13,907,892 shares, respectively	2	1
Additional paid in capital	54,005	49,078
Retained earnings	8,031	4,095
Accumulated other comprehensive income (loss)	(293)	96
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>61,745</b>	<b>53,270</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 130,116</b>	<b>\$ 93,225</b>

See notes to condensed consolidated financial statements



Table of Contents

**Summer Infant, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Income**

Note that all dollar amounts presented in the table below are in thousands of US dollars except share and per share amounts.

	Unaudited		Unaudited	
	For the three months ended September 30, 2008	September 30, 2007	For the nine months ended September 30, 2008	September 30, 2007
Net revenues	\$ 35,575	\$ 21,198	\$ 97,982	\$ 44,644
Cost of goods sold	23,109	13,224	63,263	27,564
Gross profit	12,466	7,974	34,719	17,080
Selling, general and administrative expenses (a)	9,537	6,179	26,998	14,001
Net operating income	2,929	1,795	7,721	3,079
Interest income (expense), net	(506)	(78)	(1,473)	474
Income before provision for income taxes	2,423	1,717	6,248	3,553
Income tax expense	817	657	2,312	1,364
<b>NET INCOME</b>	<b>\$ 1,606</b>	<b>\$ 1,060</b>	<b>\$ 3,936</b>	<b>2,189</b>
<b>NET INCOME PER SHARE- BASIC</b>	<b>\$ 0.11</b>	<b>\$ 0.08</b>	<b>\$ 0.27</b>	<b>\$ 0.17</b>
Weighted average shares outstanding - basic	15,055,782	13,907,892	14,627,137	13,263,000
<b>NET INCOME PER SHARE - DILUTED</b>	<b>\$ 0.11</b>	<b>\$ 0.08</b>	<b>\$ 0.27</b>	<b>\$ 0.17</b>
Weighted average shares outstanding- diluted	15,055,782	13,907,892	14,627,137	13,263,000

See notes to condensed consolidated financial statements.

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(a) Includes non-cash stock compensation expense of \$270 and \$281 for the nine months ended September 30, 2008 and 2007, and expense of \$90 for each of the three months ended September 30, 2008 and 2007, respectively. The total also includes non-capitalizable deal-related fees of \$214 for the nine months ended September 30, 2008.

Table of Contents**Summer Infant, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows**

Note that all dollar amounts presented in the table below are in thousands of US dollars except share and per share amounts.

	<b>Unaudited</b>	
	<b>For the nine months ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,936	\$ 2,189
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	1,866	804
Non-cash stock option expense	270	281
Deferred taxes	(243)	
Changes in assets and liabilities net of effects of acquisition:		
Increase in accounts receivable	(4,489)	(6,706)
Increase in inventory	(7,020)	(4,716)
Increase in accounts payable and accrued expenses	3,083	4,436
(Increase) decrease in prepaid expenses and other current assets	85	(218)
Increase in other assets	(26)	
Net cash used in operating activities	(2,538)	(3,930)
<b>Cash flows from investing activities:</b>		
Acquisitions of property and equipment	(2,273)	(2,876)
Acquisition of Basic Comfort, Inc., Kiddopotamus & Company (2008) and Summer Infant, Inc. (2007) net of cash acquired of \$61 and \$897, respectively	(15,586)	(23,361)
Acquisition of intangible assets	(1,000)	
Net cash used in investing activities	(18,859)	(26,237)
<b>Cash flows from financing activities:</b>		
Net borrowings (repayments) on debt	21,611	(13,886)
Principal payments on capital lease obligations	(144)	
Redemptions of common stock		(6,883)
Net cash provided by (used in) financing activities	21,467	(20,769)
Effect of exchange rate changes on cash and cash equivalents	(390)	149
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(320)</b>	<b>(50,787)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,771</b>	<b>52,094</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,451</b>	<b>\$ 1,307</b>
<b>Non cash investing activities:</b>		
Issuance of common stock in conjunction with the acquisition of Basic Comfort, Inc., Kiddopotamus & Company (2008), and Summer Infant, Inc. (2007), respectively	\$ 4,657	\$ 20,563



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New capital lease obligations incurred	322	
Cash paid for interest	1,373	515
Cash paid for income taxes	1,721	574

Table of Contents

**SUMMER INFANT, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim condensed consolidated financial statements of Summer Infant, Inc. ( Summer or the Company ) are unaudited, but in the opinion of management, reflect all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results for the interim periods. Accordingly, they do not include all information and notes required by generally accepted accounting principles for complete financial statements. The results of operations for interim periods are not necessarily indicative of results to be expected for the entire fiscal year or any other period. The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These interim consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and notes for the year ended December 31, 2007 filed on Form 10-K on March 27, 2008.

*Acquisition of Summer Infant, Inc. by KBL Healthcare Acquisition Corp. II*

On March 6, 2007, under an Agreement and Plan of Reorganization, dated as of September 1, 2006 ( Acquisition Agreement ), KBL Healthcare Acquisition Corp. II ( KBL ), and its wholly owned subsidiary, SII Acquisition Corp. ( Acquisition Sub ), consummated a transaction by which (i) Summer Infant, Inc. ( SII ) was merged with and into Acquisition Sub and (ii) all of the outstanding capital stock of each of Summer Infant Europe, Limited ( SIE ) and Summer Infant Asia, Ltd. ( SIA and, collectively, with SII and SIE, the Targets ) was acquired directly by KBL. As used in this Report, the term Summer includes each of the Targets. As used in this Report, the term Company means the registrant on a post-acquisition basis. On March 7, 2007, the securities of the Company commenced listing on the Nasdaq Capital Market under the symbols SUMR (common stock), SUMRW (warrants) and SUMRU (units).

*Nature of Operations and Basis of Presentation*

The Condensed Consolidated Statement of Income for the nine months ended September 30, 2007 consists of the period from March 6, 2007 through September 30, 2007 for Summer plus the full nine months of results of KBL (unaudited). The acquisition of Summer by KBL occurred on March 6, 2007, and therefore the results of Summer are included from that date forward. The interim financial information as of September 30, 2008, and for the three and nine months then ended, is unaudited and has been prepared on the same basis as the audited financial statements as of December 31, 2007. The 2008 results include the results of Basic Comfort, Inc. and Kiddopotamus & Company from the dates of acquisition, which were March 31, 2008 and April 18, 2008, respectively. In the opinion of management, such unaudited financial information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the interim information. Operating results for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.



Table of Contents

*Basic Comfort Acquisition*

On March 31, 2008, through Summer Infant (USA), Inc. ( Summer USA ) the Company acquired substantially all of the assets of Basic Comfort, Inc. ( Basic ), a leading manufacturer and supplier of infant comfort and safety products, including infant sleep positioners, infant head supports and portable changing pads. The acquisition price was approximately \$4,700,000 in cash and 450,000 shares of unregistered Summer common stock (which were valued at \$1,777,500 using the March 31, 2008 closing price of \$3.95). The cash portion of the purchase price was funded through borrowings under the Company's prior credit facility. A portion of the common stock issued at closing was deposited into escrow to secure the post-closing indemnification obligations of the Basic stockholders. The owners of Basic can receive additional payments based on the achievement of certain EBITDA targets for the twelve months ended March 31, 2009.

The following table summarizes the estimated preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition of Basic by Summer (amounts in thousands of US dollars):

Trade receivables	\$	1,384
Inventory		1,559
Other Current Assets		121
Property and equipment		152
Goodwill		5,373
Total assets acquired		8,589
Total liabilities assumed		1,854
Net assets acquired	\$	6,735

The pro forma effect on net revenues, net income, and net income per share amounts, assuming the transaction closed on January 1, 2008, are not considered material, and therefore are not presented here.

*Kiddopotamus Acquisition*

On April 18, 2008, the Company, through Summer (USA), entered into an Agreement and Plan of Merger (the Merger Agreement ), among Summer (USA), Kiddo Acquisition Co., Inc., a wholly-owned subsidiary of Summer (USA) ( Merger Sub ), Kiddopotamus & Company ( Kiddopotamus ), J. Chris Snedeker, Kristen Peterson Snedeker and Thomas K. Manning, under which the Company acquired Kiddopotamus, a leading manufacturer and supplier of infant nursery, travel and feeding accessories. Pursuant to the terms of the Merger Agreement, on April 18, 2008, Merger Sub merged with and into Kiddopotamus, with Kiddopotamus continuing as the surviving entity (the Merger ). As a result of the Merger, Kiddopotamus became an indirect, wholly-owned subsidiary of the Company.

Under the merger agreement, the total purchase price paid by the Company to the holders of Kiddopotamus common and preferred stock was \$12,500,000, plus the payment of certain expenses. Of the total purchase price, approximately \$9,600,000 was paid in cash, and approximately \$2,900,000 was paid by the issuance of 697,890 unregistered shares of the Company's common stock at \$4.126 per share, which represented the

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ten day trading average ending on the trading day two business days prior to the closing of the merger. Each holder of Kiddopotamus common and preferred stock other than J. Chris Snedeker and Kristen Peterson Snedeker (the Principal Stockholders ) elected to receive their allocation of the total net purchase price in cash. As required by the Merger Agreement, the Principal Stockholders received one half of their allocation of the total net purchase price in shares and one half in cash.

The Company funded the cash portion of the total net purchase price with borrowings under its two new secured credit facilities. Approximately 10% of the total net purchase price was deposited in escrow to secure the post-closing inde