Summer Infant, Inc.
Form 10-K/A
January 04, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 3)

(Mark One)

x	**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT of 1934**
	For the fiscal year ended December 31, 2008
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-33346

SUMMER INFANT, INC.

Delaware	**20-1994619**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
1275 Park East Drive, Woonsocket, Rhode Island	**02895**
(Address of Principal Executive Offices)	(Zip Code)

(401) 671-6550

(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Exchange on which registered
Common Stock, Par Value $.0001	**Nasdaq Capital Market**
Warrants to Purchase Common Stock	**Nasdaq Capital Market**
Units consisting of Common Stock and Two Warrants	**Nasdaq Capital Market**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

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 past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of December 31, 2008 approximately $21,400,000.

The number of shares outstanding of the registrant s common stock as of March 25, 2009 was 15,404,782.

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Explanatory Note

On November 2, 2009, we announced that certain of our previously issued financial statements for the fourth quarter and full year 2008 must be restated because they contain errors under accounting principles generally accepted in the United States relating to accounting for interest rate swap agreements. In 2007 and 2008 we entered into various interest rate swap agreements that are required by our loan agreement with Bank of America. The fair value of the swaps approximated the stated value from the inception of the swaps until the fourth quarter of 2008. During the fourth quarter of 2008, the fair value of the swaps declined due to the dislocation in the financial markets, but this was not recorded by us. Therefore, we are restating our 2008 results to record an increase in net liabilities and a reduction of stockholders equity (through an after-tax charge in the income statement) of approximately $0.7 million, which reflects the reduced fair value of the swaps at December 31, 2008. This will reduce stockholders equity from $62.2 million to $61.5 million at December 31, 2008. We are filing this Amendment No. 3 (the Amended Report) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (as amended from time to time prior to the date hereof, the Original Report) in order to restate our 2008 financial statements to correct these errors in the Original Report and in the consolidated financial statements as of and for the year ended December 31, 2008 contained therein.

For the reasons discussed above, we are filing this Amended Report in order to amend Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 8 Financial Statements and Supplementary Data, Item 9A Controls and Procedures, and Item 15 Exhibits, Financial Statement Schedules of the Original Report to the extent necessary to reflect the adjustments discussed above and a few other minor revisions. 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, March 25, 2009, as amended on April 30, 2009 and August 18, 2009, 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.

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management s current expectations and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in such statements. We caution investors that actual results or business conditions may differ materially from those projected or suggested in forward-looking statements as a result of various factors including, but not limited to, the risk factors described below. We cannot assure you that we have identified all the factors that create uncertainties. Readers should not place undue reliance on forward-looking statements.

PART I

Item 1. Business

Background

On March 6, 2007, under an Agreement and Plans 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).

Effective upon closing, the Company changed its name to Summer Infant, Inc. and SII changed its name to Summer Infant (USA), Inc. Thus, the Company is now a holding company called Summer Infant, Inc. operating though its wholly-owned subsidiaries, Summer Infant (USA), Inc., Summer Infant Europe, Limited, Summer Infant Canada, Ltd. (SIC) and Summer Infant Asia, Ltd.

General

We are a designer, marketer, and distributor of branded juvenile health, safety and wellness products which are sold principally to large North American and UK retailers. We currently have more than 80 proprietary products in various product categories including nursery audio/video monitors, safety gates, durable bath products, bed rails, related health and safety products, booster and potty seats, bouncers and a product line of soft goods/bedding. In addition, the Basic Comfort and Kiddopotamus acquisitions added items such as infant sleep positioners, head supports, portable changing pads, as well as nursery and feeding accessories. Our products are sold primarily to U.S. retailers including Babies R Us, Target, KMart, Buy Buy Baby, Meijer, Baby Depot (Burlington Coat Factory) and Wal-Mart.

We maintain through SIE a sales, marketing and distribution office in England, which services the United Kingdom and other parts of Europe. SIE s largest customers are Mothercare, Toys R Us, Argos, and Tesco. In 2008, Summer Infant (USA), including international sales managed out of the U.S., accounted for approximately 90% of revenue, SIC accounted for approximately 4%, and SIE accounted for approximately 6%.

We maintain through SIA a product development, engineering and quality assurance office, which oversees the production of all product lines made in China.

Strategy

Our strategy is to grow our sales through a variety of methods, including:

- increased product penetration (more products at each store);
- increased store penetration (more stores within each retail customer);
- new products (at existing and new customers);

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- new mass merchant retail customers;
- new distribution channels (food and drug chains, price clubs, home centers, web-based retailers);
- new geographies (international expansion);
- new product categories; and
- acquisitions.

We have been able to grow our annual revenues historically through a combination of all of the above factors. Each year, we have been able to expand the number of products in our main distribution channel, mass merchant retailers, and have also added new customers each year. Therefore, even without new product introductions, we could grow our business by simply selling more of our existing product line to existing customers.

In the future, our growth strategy will be to continue to develop and sell new products to our existing customer base, sell new and existing products to new customers (or expand relationships with existing customers), to expand our sales of products from our soft goods product line, and to expand in the UK and in other geographic regions (including Japan, Mexico and Australia, among others). In addition, there are a number of potential acquisition candidates that could be pursued in order to obtain new innovative products, new product categories, new retail customers or new sales territories. There are approximately 400 active juvenile product companies, of which approximately 300 have less than $10 million in sales. In addition, there are various product categories that we do not currently compete in, including car seats, high chairs, walkers, nursery care, and other categories. We may look to develop our own products in these categories or attempt to gain entrance into these categories through acquisitions.

Products

We sell over eighty proprietary products listed in order of dollar volume importance: (i) nursery audio/video monitors (approximately 27% of net sales for the year ended December 31, 2008), (ii) baby gates (approximately 17% of net sales for the year ended December 31, 2008), (iii) durable bath products (approximately 11% of net sales for the year ended December 31, 2008), (iv) bed rails, booster seats, potty seats, soft goods, bouncers and other products (approximately 45% of net sales for the year ended December 31, 2008).

New product development teams have also been established to enter several new categories in 2008 and 2009. One team is focused on play yards, swings, high chairs and other baby gear categories. The other team is focused on the infant soft goods market comprised mainly of bedding, blankets, home furnishings, layette and soft bath products.

Product Development and Design

Our management believes that product development is a critical element of our strategy and success to date. Our product strategy is to produce proprietary products that provide distinctive benefits, are visually appealing, provide convenience and will appeal to the mid-tier and upper-tier buyers. Our U.S. retailers are strategically motivated to buy innovative, up-market products. Our main product development efforts are located at our Rhode Island corporate office, but we also have development efforts in China (six person sourcing, electronics and QA team), Colorado, South Carolina (five person soft goods design office) and England (two-person team focused on meeting UK and EU standards and market demands).

Suppliers and Manufacturing

Except for certain injection-molded bath tubs, potty seats and gates, which are manufactured in the U.S., substantially all of our other products are manufactured in southern China at factories near Hong Kong. We use many different suppliers, and therefore we are not dependent on any one manufacturer. We own our own molds. SIA provides us with a local sourcing presence and the ability to oversee quality, electronic engineering and other issues that may arise during production.

Transportation of China-made goods to our warehouses typically takes three to four weeks, depending on the location of the warehouse. We maintain our inventory at warehouses located in California, Rhode Island, Canada, and the

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United Kingdom. Most of our customers pick up their goods at regional warehouses. We also use UPS and other common carriers to arrange shipments to customers who request such arrangements, primarily smaller retailers and specialty stores.

We use several manufacturers in the U.S. for our injection molded products that account for between 15% and 20% of our annual net sales.

Sales and Marketing

Our sales are primarily derived from the sale of juvenile health, safety and wellness products and are recognized upon transfer of title of product to our customers. Our products are marketed and sold through several distribution channels including chain retailers, specialty retailers and direct to consumers.

Sales are made utilizing standard credit terms of 30 to 60 days. We generally accept returns only for defective merchandise.

Competition

The juvenile health, safety and wellness industry has many participants, none of which have dominant market share, though certain companies have disproportionate strength in certain segments. Our largest direct competitors are Dorel Industries (Safety 1st and Cosco brands), Evenflo (Evenflo, Gerry, and Snugli brands), Fisher-Price (part of Mattel, Inc.), The First Years (a subsidiary of RC2 Corporation) and Graco (a subsidiary of Newell Rubbermaid). In addition, we compete in certain of our product lines with a number of smaller private companies, such as KidCo, Inc. and Munchkin.

The primary methods of competition in the industry consist of product innovation, brand positioning, quality, price and other factors such as timely distribution. Our competitive strengths include our experienced product development staff, our ability to develop new products, brand positioning, relationships with major retailers, and the quality and pricing of our products.

Intellectual Property

We rely on a combination of patents, licenses and trade secrets to protect our intellectual property. Our patents currently in effect include various design features related to bedrails, infant seats, bouncers, and potty chairs, with several other patents pending for monitors, baby swings, and other items. The patents expire at various times over the next 20 years. We also have license agreements relating to the use of patented technology owned by third parties in certain of our products. We are the sole owner of the molds used in manufacturing our products.

Customers

Our top 15 customers in North America and the United Kingdom together comprised over 90% of our sales in fiscal 2008. Some of these customers include Babies R Us, Target, K-Mart, Toys R Us Canada, and Wal-Mart in North America, and in the United Kingdom, Mothercare and Argos.

Seasonality

There are not significant variations in seasonal demand for our products. Sales to our retail customers are generally higher in the time frame when retailers take initial shipments of new products. These orders usually incorporate enough product to fill each store plus additional amounts to be kept at the customer s distribution center. The timing of these initial shipments varies by customer depending on when they finalize store layouts for the upcoming year, and whether there are any mid-year product introductions.

Geographic Regions

Approximately 92% of our sales in fiscal 2008 were made in North America, primarily the United States (88%) and Canada (4%). The remaining 8% of sales in fiscal 2008 were made in the United Kingdom and all other international accounts.

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Facilities

We are headquartered in a 52,000 square foot headquarters/warehouse facility in Woonsocket, Rhode Island. This facility provides for 24,000 square feet of office space and a 40,000 square foot warehouse. We are the owner of this facility.

We have a 36 month, 3,750 square foot lease for office space in South Carolina, which expires in 2010. We have a 24 month lease for office space in Hong Kong, which expires in 2009, as well as a 60 month lease for office space in the United Kingdom, which expires in 2012.

We maintain inventory at leased warehouses in California (two warehouses which total approximately 170,000 square feet) and Rhode Island (approximately 72,000 square feet), Colorado (approximately 90,000 square feet), Canada (approximately 31,000 square feet) and the United Kingdom (approximately 16,000 square feet). The leases expire at various times between 2009 and 2013.

Regulatory Matters

We obtain all necessary regulatory agency approvals for each of our products. In the U.S., these approvals may include, among others, one or more of the Consumer Product Safety Commission (CPSC), the American Society of Test Methods (ASTM), the Juvenile Products Manufacturing Association (JPMA), the Federal Communications Commission (FCC) and the Food and Drug Administration (FDA). We conduct our own internal testing, which utilizes a foreseeable use and abuse testing method and is designed to subject each product to the worst case scenario. Our products are also frequently tested by independent government certified labs.

Insurance

We carry a product liability insurance policy that provides us with $9,000,000 of liability coverage with a minimal deductible. We consult with our insurers to ascertain appropriate liability coverage for our product mix. We anticipate increasing our insurance coverage in the future in line with our expanding sales and product breadth.

Employees

As of December 31, 2008, we employed a total of 170 people, 95 of whom work in the headquarters and distribution centers in Rhode Island. Our employees are not covered by a collective bargaining agreement. We consider our employee relations to be good.

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Available Information

We maintain our corporate website at *www.summerinfant.com* and we make available, free of charge, through this website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports that we file with or furnish to the Securities and Exchange Commission, as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC. Information on our website is not part of this report. This report includes all material information about us that is included on our website and is otherwise required to be included in this report.

Item 1A. Risk Factors

If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. In those cases, the trading price of our common stock could decline.

The concentration of our business with a base of retail customers that make no binding long-term commitments means that economic difficulties or changes in the purchasing policies of our major customers could have a significant impact on our business.

A number of large, retail customers account for a majority of our net sales. Customers that generated more than 10% of net sales for the year ended December 31, 2008 were Toys R Us (48% of net sales), and Target (10% of net sales). Because of the concentration of our business with these customers, and because we have no long term contracts with these customers, our success depends on our customers willingness to purchase and provide shelf space for our products. An adverse change in our relationship with any of our large customers or a change in the financial viability of any of these customers could adversely affect our results of operations and financial condition.

Our ability to grow and compete will be harmed if we do not successfully satisfy consumer preferences, enhance existing products, develop and introduce new products, and achieve market acceptance of those products.

Our business and operating results depend largely upon the appeal of our products. Consumer preferences, particularly among parents, who are the end purchasers of our products, are constantly changing. Our success will, in large part, depend on our ability to identify emerging trends in the health, safety and wellness marketplace, and design products that address consumer demand and prove safe and cost effective. Our product offerings compete with those of many other companies, many of which are much larger and enjoy broader brand recognition and significant distribution channel relationships, which means that our market position is always at risk. Our ability to maintain and increase our current market share will depend upon our ability to anticipate changes in consumer preferences and satisfy these preferences, enhance existing products, develop and introduce new products and establish and grow distribution channels for these products, and ultimately achieve market acceptance of these products.

We are dependent on key personnel, and our ability to grow and compete in our industry will be harmed if we do not retain the continued services of our key personnel, or we fail to identify, hire, and retain additional qualified personnel.

We are dependent on the efforts of our management team, and the loss of services of members of our management team, each of whom has substantial experience in the juvenile health, safety and wellness markets, could have an adverse effect on our business. If any members of management leave, their departure could have an adverse effect on our operations and could adversely affect our ability to design new products and to maintain and grow the distribution channels for our products.

In addition, if our operations continue to grow in a manner consistent with our historical growth rates, it will be necessary for us to attract and retain additional qualified personnel. The market for qualified and talented product development personnel in the consumer goods market, and the juvenile health, safety and wellness products market specifically is intensely competitive. If we are unable to attract or retain qualified personnel as needed, the growth of our operations could be slowed or hampered. However, we believe that Summer Infant s compensation including salary, performance-based bonuses, and stock award programs provides incentives that are competitive within our industry.

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Intellectual property claims relating to our products could increase our costs and adversely affect our business.

We have, from time to time, received claims of alleged infringement of patents relating to certain of our products, and we may face similar claims in the future. These claims relate to alleged patent infringement and are primarily the result of newly issued patents that were not in force when we initially brought the subject products to market. The defense of intellectual property claims can be costly and time consuming, even in circumstances where the claim is without merit. We may be required to pay substantial damages or settlement costs in order to resolve these types of claims. In addition, these claims could materially harm our brand name, reputation and operations.

We rely on foreign suppliers in China to manufacture the majority of our products, and any adverse change in our relationship with our suppliers could harm our business.

We rely on numerous third-party suppliers located in China for the manufacture of most of our products. While we believe that alternative suppliers could be located if required, our product sourcing could be affected if any of these suppliers do not continue to manufacture our products in required quantities or at all, or with the required levels of quality. We enter into purchase orders with our foreign suppliers and do not enter into any long term contracts. In addition, difficulties encountered by these suppliers, such as fire, accident, natural disasters, outbreaks of contagious diseases, or political unrest, could halt or disrupt production at the affected locations, resulting in delay or cancellation of orders. Any of these events could result in delayed deliveries by us of our products, causing reduced sales and harm to our reputation and brand name.

In particular, in 2008, our suppliers based in China faced significant additional costs, as a result of raw materials shortages, the further strengthening of the Chinese currency (RMB) versus the US dollar, rising labor rates and increases in energy prices. While we anticipate being able to pass on some portion of these increased costs to our customers, continued cost pressures on our suppliers will inevitably be passed on to us

Increases in the cost of materials or labor used to manufacture our products could decrease our profitability and therefore negatively impact our business and financial condition.

Because our products are manufactured by third-party suppliers, we do not directly purchase the materials used in the manufacture of our products. However, the prices paid by us to these suppliers could increase if raw materials, labor, or other costs increase. If we cannot pass these increases along to our customers, our profitability will be adversely affected.

Because we rely on foreign suppliers and we sell in to foreign markets, we are subject to numerous risks associated with international business that could increase our costs or disrupt the supply of our products, resulting in a negative impact on our business and financial condition.

Our international operations subject us to risks, including:

- economic and political instability,
- restrictive actions by foreign governments,
- greater difficulty enforcing intellectual property rights and weaker laws protecting intellectual property rights,
- changes in import duties or import or export restrictions,
- timely shipping of product and unloading of product through West Coast ports, as well as timely truck delivery to our warehouses,
- complications complying with the laws and policies of the United States affecting the importation of goods, including duties, quotas, and taxes, and
- complications in complying with trade and foreign tax laws.

Any of these events or circumstances could disrupt the supply of our products or increase our expenses.

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Product liability, product recalls, and other claims relating to the use of our products could increase our costs.

Because we sell infant and juvenile health, safety and wellness products to consumers, we face product liability risks relating to the use of our products. We also must comply with a variety of product safety and product testing regulations. If we face a product liability claim or fail to comply with these regulations, we may be subject to costly litigations, damage awards, fines or settlement costs that exceed our insurance coverage. We also would incur significant costs in connection with any product recall requirements. Even if a product liability claim is without merit, the claim could harm our reputation and divert management s attention and resources from our business.

Competition in our markets could reduce our net sales and profitability.

We operate in highly competitive markets. We compete with several large domestic and foreign companies and with other producers of infant products. Many of our competitors have longer operating histories, greater brand recognition, and greater financial, technical, marketing and other resources than we have. In addition, we may face competition from new participants in our markets because the infant product industry has limited barriers to entry. We experience price competition for our products, competition for shelf space at retailers and competition for licenses, all of which may increase in the future. If we cannot compete successfully in the future, our net sales and profitability will likely decline.

We may experience difficulties in integrating strategic acquisitions.

As part of our growth strategy, we intend to pursue acquisitions that are consistent with our mission and enable us to leverage our competitive strengths. The integration of acquired companies and their operations into our operations involves a number of risks, including:

- the acquired business may experience losses that could adversely affect our profitability;

- unanticipated costs relating to the integration of acquired businesses may increase our expenses;

- possible failure to obtain any necessary consents to the transfer of licenses or other agreements of the acquired company;

- possible failure to maintain customer, licensor and other relationships after the closing of the transaction of the acquired company;

- difficulties in achieving planned cost-savings and synergies may increase our expenses or decrease our net sales;

- diversion of management s attention could impair their ability to effectively manage our business operations; and
- unanticipated management or operational problems or liabilities may adversely affect our profitability and financial condition.

In addition, any future acquisitions or investments may result in:

- issuances of dilutive equity securities, which may be sold at a discount to market price;
- use of significant amounts of cash;
- the incurrence of debt;
- the assumption of significant liabilities;
- unfavorable financing terms;
- large one-time expenses; and

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- the creation of intangible assets, including goodwill, the write-down of which may result in significant charges to earnings.

Our debt covenants may limit our ability to complete acquisitions, incur debt, make investments, sell assets, merge or complete other significant transactions.

Our line of credit includes provisions that place limitations on a number of our activities, including our ability to:

- incur additional debt;
- create liens on our assets or make guarantees;
- make certain investments or loans;
- pay dividends; or
- dispose of or sell assets or enter into a merger or similar transaction.

We could issue additional common stock, which might dilute the book value of our common stock.

Our board of directors has authority, without action or vote of our stockholders in most cases, to issue all or a part of our authorized but unissued shares. These stock issuances could be made at a price that reflects a discount from the then-current trading price of our common stock. In addition, to raise capital, we may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances would dilute current shareholders ownership percentage which would have the effect of reducing their influence on matters on which stockholders vote, and could dilute the book value of Summer Infant common stock. Stockholders may incur additional dilution if holders of stock options, whether currently outstanding or subsequently granted, exercise their options, or if warrant holders exercise their warrants to purchase shares of Summer Infant common stock.

As a thinly-traded stock, large sales can place downward pressure on our stock price.

Our common stock experiences periods when it could be considered thinly traded. Finance transactions resulting in a large amount of newly issued shares that become readily tradable, or other events that cause current stockholders to sell shares, could place downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder to sell a large number of shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

Anti-takeover provisions in our organizational documents and Delaware law may limit the ability of our stockholders to control our policies and effect a change of control of our company and may prevent attempts by our stockholders to replace or remove our current management, which may not be in your best interests.

There are provisions in our certificate of incorporation and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests, and may prevent attempts by our stockholders to replace or remove our current management. These provisions include the following:

- our certificate of incorporation provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a staggered board. By preventing stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our board of directors in control for a longer period of time than stockholders may desire;

- our certificate of incorporation authorizes our board of directors to issue shares of preferred stock without stockholder approval and to establish the preferences and rights of any preferred stock issued, which would allow the board to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or change in control; and

- our bylaws require advance written notice of stockholder proposals and director nominations.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which, in general, imposes restrictions upon acquirers of 15% or more of our stock. Finally, the board of directors may in the future adopt other protective measures, such as a stockholder rights plan, which could delay, deter or prevent a change of control.

The global economic downturn could result in a reduced demand for our products and increased volatility in our stock price.

Current uncertainty in global economic conditions pose a risk to the overall economy as consumers and retailers may defer or choose not to make purchases in response to tighter credit and negative financial news, which could negatively affect demand for our products. Additionally, due to the weak economic conditions and tightened credit environment, some of our retailers and distributors may not have the same purchasing power, leading to lower purchases of our products for placement into distribution channels. Consequently, demand for our products could be materially different from expectations, which could negatively affect our profitability and cause our stock price to decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are headquartered in a 52,000 square foot headquarters/warehouse facility in Woonsocket, Rhode Island. This facility provides for 24,000 square feet of office space and a 28,000 square foot warehouse. We are the owner of this facility.

We have a 36 month, 3,750 square foot lease for office space in South Carolina, which expires in 2010. We have a 24 month lease for office space in Hong Kong, which expires in 2009, as well as a 60 month lease for office space in the United Kingdom, which expires in 2012.

We maintain inventory at leased warehouses in California (approximately 170,000 square feet, which includes two warehouses), Rhode Island (approximately 72,000 square feet), Colorado (approximately 90,000 square), Canada (approximately 31,000 square feet), and the United Kingdom (approximately 16,000 square feet). These leases expire at various times between 2009 and 2013.

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Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of our stockholders during the fourth quarter of the year ended December 31, 2008.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

On March 7, 2007, our common stock, warrants and units commenced listing on the Nasdaq Capital Market under the symbols SUMR , SUMRW and SUMRU , respectively.

On March 17, 2008, we announced that effective March 28, 2008, the units will be separated into its component securities, consisting of one share of common stock and two warrants. As a result, beginning on March 28, 2008, the units ceased trading.

The high and low closing prices for our common stock as reported on the Nasdaq Capital Market for the periods indicated below were as follows:

	High	Low
Fiscal Year Ended December 31, 2007		
First Quarter	$ 5.25	$ 4.98
Second Quarter	$ 5.44	$ 4.73
Third Quarter	$ 5.30	$ 4.06
Fourth Quarter	$ 5.50	$ 4.14
Fiscal Year Ended December 31, 2008		
First Quarter	$ 4.90	$ 3.67
Second Quarter	$ 4.80	$ 3.84

Third Quarter	$ 4.79	$ 3.76
Fourth Quarter	$ 4.50	$ 2.10

Holders of Common Stock

As of March 14, 2009, there were approximately thirteen shareholders of record of our common stock. Because shares of our common stock are held by depositaries, brokers and other nominees, the number of beneficial holders of our shares is substantially larger than the number of record holders.

Dividend Policy

There have been no cash dividends declared on our common stock since our company was formed. Dividends are declared at the sole discretion of our Board of Directors. Our intention is not to declare cash dividends and retain all cash for our operations.

Issuer Repurchases of Equity Securities

On October 9, 2007, we made a tender offer to all holders of our warrants to repurchase each warrant for $1.00. The tender offer expired on November 8, 2007. The total number of warrants purchased in the tender offer was 14,766,047. All of the warrants which remained after the tender offer expired on April 20, 2009.

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Item 6. Selected Consolidated Financial Data

N/A

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (dollar amounts in thousands, except share and per share data)

The information contained in this section has been derived from our consolidated financial statements and should be read together with our consolidated financial statements and related notes included elsewhere in this filing.

The following discussion is intended to assist in the assessment of significant changes and trends related to our results of operations and financial condition. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included herein. Our business has grown organically in all of our markets. We derive our revenues from the sale of health, safety and wellness products for infants and toddlers. Our revenue is driven by our ability to design and market desirable products, identify business opportunities and secure new and renew existing distribution channels. Our income from operations is derived from our ability to generate revenue and collect cash in excess of labor and other costs of providing our products and selling, general and administrative costs.

Company Overview

We are a designer, marketer, and distributor of branded juvenile health, safety and wellness products which are sold principally to large North American and UK retailers. We currently have more than 80 proprietary products in various product categories including nursery audio/video monitors, safety gates, durable bath products, bed rails, infant thermometers, related health and safety products, booster and potty seats, bouncers and a product line of soft goods/bedding.

Our strategy is to grow our sales through a variety of methods, including:

- increased product penetration (more products at each store);
- increased store penetration (more stores within each retail customer);
- new products (at existing and new customers);

- new mass merchant retail customers;
- new distribution channels (food and drug chains, price clubs, home centers, web-based retailers);
- new geographies (international expansion); and
- new product categories.

We have has been able to grow our annual revenues historically through a combination of all of the above factors. Each year, we have been able to expand the number of products in our main distribution channel, mass merchant retailers, and have also added new customers each year. Therefore, even without new product introductions, we could grow our business by simply selling more of our existing product line to existing customers.

In the future, our growth strategy will be to continue to develop and sell new products to our existing customer base, sell new and existing products to new customers (or expand relationships with existing customers), expand our sales of products from our soft goods product line, and expand in the UK and in other geographic regions (including Japan, Mexico and Australia, among others). In addition, there are a number of potential acquisition candidates that could be pursued in order to obtain new innovative products, new product categories, new retail customers or new sales territories. There are approximately 400 active juvenile product companies, of which approximately 300 have less than $10 million in sales. In addition, there are various product categories that we do not currently compete in, including car seats, high chairs, walkers, nursery care, and other categories. We may look to develop our own products in these categories or attempt to gain entrance into these categories through acquisitions.

As we continue to grow through internal initiatives and any future acquisitions, we will incur additional expenses. Two of the key areas in which those increased expenses will likely occur are sales and product development. In order to grow

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sales, we will likely hire additional sales personnel to service new geographic territories, focus existing resources on specific parts of the United States market and retain product line specialists to drive sales of new and existing products in specific areas in which we believe we can readily increase sales. Product development expenses will increase as we develop new products in existing and new categories.

If we were to acquire one or more companies as part of our growth strategy, we would face various challenges such as the integration of the acquired companies product lines, employees, marketing requirements and information systems. Ongoing infrastructure investment also may be required to support realized growth, including expenditures with respect to upgraded and expanded information systems and enhancing our management team.

Sales

Our revenues are primarily derived from the sale of juvenile health, safety and wellness products and are recognized upon transfer of title of product to our customers. Our products are marketed through several distribution channels including chain retailers, specialty retailers and direct to consumers.

A number of large, retail customers account a majority of our net sales. Customers that generated more than 10% of net sales for the year ended December 31, 2008 were Toys R Us (48% of such net sales), and Target (10% of such net sales). Because of the concentration of our business with these customers, and because we have no long term contracts with these customers, our success depends on our customers willingness to purchase and provide shelf space for our products.

Over 90% of sales are currently made to customers in North America, with the remaining sales primarily made to customers in the UK. Sales are made utilizing standard credit terms of 30 to 60 days. We generally accept returns only for defective merchandise.

Cost of goods sold and other expenses

Our products are manufactured by third parties, with approximately 80-85% of the dollar value of products being manufactured in China and the majority of the balance being manufactured in the United States. Cost of goods sold primarily represents purchases of finished products from these third party manufacturers. The remainder of our cost of goods sold includes duties on certain imported items, freight-in from suppliers and miscellaneous charges from contract manufacturers. Substantially all of our purchases are made in US dollars; therefore, most of this activity is not subject to currency fluctuations. If our suppliers experience increased raw materials, labor or other costs and pass along those cost increases through higher prices for finished goods, our cost of sales would increase, and to the extent we are unable to pass these price increases along to our customers, our gross margins would decrease.

Selling, general and administrative expenses primarily consist of payroll, insurance, professional fees, royalties, freight out to customers, product development costs, advertising and marketing expenses (including co-op advertising allowances as negotiated with certain customers) and sales commissions. Several of these items fluctuate with sales, some are based on sales to particular customers and others are based on sales of particular products.

In particular, in 2008, our suppliers based in China faced significant additional costs, as a result of raw materials shortages, the further strengthening of the Chinese currency (RMB) versus the US dollar, rising labor rates and increases in energy prices. Additionally, Chinese suppliers were impacted by Government imposed reductions on tax refunds. While we anticipate being able to pass on some portion of these increased costs to our customers, continued cost pressures on our suppliers will inevitably be passed on to us; although recently we have experienced some stabilization with our orient suppliers.

There are not significant variations in seasonal demand for our products. Sales to our retail customers are generally higher in the time frame when retailers take initial shipments of new products. These orders usually incorporate enough product to fill each store plus additional amounts to be kept at the customer s distribution center. The timing of these initial shipments varies by customer depending on when they finalize store layouts for the upcoming year, and whether there are any mid-year product introductions.

Summary of critical accounting policies and estimates

This summary of our critical accounting policies is presented to assist in understanding our consolidated financial statements. The consolidated financial statements and notes are representations of our management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

We make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. The accounting policies described below are those we consider critical in preparing our financial statements. Some of these policies include significant estimates made by management using information available at the time the estimates were made. However, these estimates could change materially if different information or assumptions were used.

Revenue recognition

We follow the guidance of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin 104 for revenue recognition. We record revenue when all of the following occur: persuasive evidence of an arrangement exists, product delivery has occurred, the sales price to the customer is fixed or determinable and collectability is reasonably assured. Sales are recorded net of provisions for returns and allowances, product placement fees, customer discounts and other sales related discounts. We base our estimates for discounts, returns and allowances on negotiated customer terms and historical experience. These estimates are subject to variability, as actual deductions taken by customers may be different from the estimates recorded.

Sales incentives or other consideration given by us to customers that are considered adjustments of the selling price of its products, such as allowances and product placement fees, are reflected as reductions of revenue. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer s national circular ad, are reflected as selling and marketing expenses in the accompanying statements of income.

Trade receivables

We carry our trade receivables at net realizable value. On a periodic basis, we evaluate our trade receivables and establish an allowance for doubtful accounts based on a history of past bad debt expense, collections and current credit conditions. The allowance is adjusted based on actual write-offs that occur. We have a credit insurance policy to protect against potential losses up to stated amounts from certain customers.

We do not accrue interest on trade receivables. A receivable is considered past due if payments have not been received within the credit terms on the account, typically 60 days for most customers.

We will turn an account over for collection around 120 days past due. Accounts are considered uncollectible if no payments are received 60 to 90 days after they have been turned over for collection.

Inventory Valuation

Inventory is comprised of finished goods and is stated at the lower of cost, inclusive of freight and duty, or market (net realizable value) using the first-in, first-out (FIFO) method. Our warehousing costs are charged to expense as incurred. Inventory write-downs are recorded for damaged, obsolete or slow-moving inventory. Management uses estimates to record write-downs based on its review of inventory by product category, including length of time on hand and estimates of future orders for each product. Changes in consumer preferences, as well as demand for products, customer buying patterns and inventory management could impact the inventory valuation.

Impairment of long-lived assets, goodwill and other intangible assets.

Long-lived assets have been reviewed for impairment based on Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement requires that an impairment loss be recognized whenever the carrying value of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventful disposition of that asset, excluding future interest costs the entity would recognize as an expense when incurred. Goodwill and other intangible assets have been reviewed for impairment based on SFAS No. 142, Goodwill and Other Intangible Assets. Under this Statement, goodwill and other intangible assets that have indefinite useful lives are not amortized, but rather tested at least annually for impairment. The Company s management reviews for indicators that might suggest an impairment loss could exist. Testing for impairment requires estimates of expected cash flows to be generated from the use of the assets. Various uncertainties, including changes in consumer

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preference, deterioration in the political environment, continued adverse conditions in the capital markets or changes in general economic conditions, could impact the expected cash flows to be generated by an asset or group of assets. Intangible assets that have finite useful lives are amortized over their useful lives.

Allowance for doubtful accounts.

The allowance for doubtful accounts represents adjustments to customer trade accounts receivable for amounts deemed uncollectible. The allowance for doubtful accounts reduces gross trade receivables to their estimated net realizable value. The Company s allowance is based on managements assessment of the business environment, customers financial condition, historical trends, customer payment practices, receivable aging and customer disputes. The Company will continue to proactively review its credit risks and adjust its customer terms to reflect the current environment.

Income taxes

Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements in accordance with SFAS No. 109. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. Upon the adoption of FIN 48, we had no unrecognized tax benefits.

Deferred income tax assets are adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence; it is more-likely-than-not such benefits will be realized. We recognize interest and penalties, if any, related to uncertain tax positions in selling, general and administrative expenses.

The tax years 2004 through 2007 remain open to examination by the major taxing jurisdictions in which we operate. We expect no material changes to unrecognized tax positions within the next twelve months.

Results of Operations

Summer Infant, Inc. (formerly KBL Healthcare Acquisition Corp. II)

Consolidated Statements of Income

For the Years Ended December 31, 2008 and 2007

(In thousands)

	Year Ended December 31, 2008 (restated)	Year Ended December 31, 2007
Net sales	$ 132,369	$ 68,117
Cost of goods sold	85,514	42,356
Gross profit	46,855	25,761
Operating expenses (including interest)	39,575	20,968
Income tax expense(as restated)	1,976	1,678
Net income	$ 4,154	$ 3,115

The results of operations for the year ended December 31, 2007 represent the combined activity of KBL Healthcare from January 1, 2007 through March 6, 2007 and the activity of Summer Infant from March 6, 2007 through December 31, 2007. KBL Healthcare historically had no sales or gross profit, while Summer Infant has both sales and gross profit, in addition to other normal operating expenses. Therefore, the amounts in the two above periods cannot be compared in a meaningful fashion.

To give the reader some additional information on the performance of the underlying Summer Infant operations, the following table represents the results of the Summer Infant operating company for the years ended December 31, 2008 and 2007. This table is being presented to give the reader more information about the underlying performance of the ongoing operating company, because KBL Healthcare had no operating business in 2007. The 2008 operating results include Kiddopotamus and Basic Comfort from their respective acquisition dates of April 18 th and March 31 st , through December 31, 2008.

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Summer Infant, Inc. and Subsidiaries

Consolidated Statements of Income

For the Years Ended December 31, 2008 and 2007

(In thousands)

		Year Ended December 31, 2008 (restated)			Year Ended December 31, 2007	
Net sales	$	132,369	100.0%	$	80,517	100.0%
Cost of goods sold		85,514	64.6%		50,037	62.1%
Gross Profit		46,855	35.4%		30,480	37.9%
SG&A expenses(a)		34,039	25.7%		22,458	27.9%
EBITDA(b)	$	12,816	9.7%	$	8,022	10.0%

(a) Excluding depreciation, amortization, deal-related fees, and Non-Cash stock option expense.

(b) See non-GAAP discussion below regarding the computation of EBITDA.

Year ended December 31, 2008 compared with year ended December 31, 2007

Net sales increased 64% from approximately $80,517,000 in the year ended December 31, 2007 to approximately $132,369,000 for the year ended December 31, 2008. This increase was primarily attributable to increased distribution of existing products throughout our customer base, introduction of new products, acquisitions, and expansion into new customers. Kiddopotamus and Basic Comfort added approximately $11,130,000 and $7,484,000 to net sales, respectively.

Gross profit increased 54% from approximately $30,480,000 for the year ended December 31, 2007 to approximately $46,855,000 for the year ended December 31, 2008. This increase was primarily attributable to the 64% increase in net sales, offset by increased cost of goods due to raw material increases and a change in product mix. The increase in raw materials costs and labor were passed along as cost increases, and to the extent we were unable to pass such price increases along to our customers, our gross profit percentage year-over-year has decreased.

Selling, general and administrative expenses increased from approximately $22,458,000 for the year ended December 31, 2008 to approximately $34,039,000 for the year ended December 31, 2008. This increase was primarily attributable to increased variable costs such as co-op advertising allowances as a result of the significant increase in sales. In addition, there were increased expenditures in product development, headcount, professional fees, and warehouse operations.

Liquidity and Capital Resources

We generally fund our operations and working capital needs through cash generated from operations and borrowings under our credit facility.

Our sales have increased significantly over the past several years. For the year ended December 31, 2003, net sales for the Summer Infant Operating Companies were approximately $17,600,000. For the year ended December 31, 2008, net sales were approximately $132,369,000. This sales growth has led to a substantial increase in working capital requirements, specifically accounts receivable and inventory. The typical cash flow cycle is as follows:

- Inventory is purchased to meet expected demand plus a safety stock. Because the majority of our vendors are based in Asia, inventory takes from four to six weeks to arrive from Asia to the various distribution points we maintain in the US, Canada and the UK. Payment terms for these vendors are approximately 30- 60 days from the date the product ships from Asia, therefore we are generally paying for the product a short time after it is physically received in the US. The increased sales we have experienced result in increased levels of inventory, and therefore an increase in the amount of cash required to fund our inventory level.

- Sales to customers generally have payment terms of 60 days. The increased sales have resulted in an increase in the level of accounts receivable, and therefore have increased the amount of cash required to fund working capital.

We have traditionally been able to fund our increased working capital through lines of credit with banks.

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The majority of our capital expenditures are for tools related to new product introductions. We receive indications from retailers generally around the middle of each year as to what products the retailer will be taking into its product line for the upcoming year. Based on these indications, we will then acquire the tools required to build the products. In most cases the payments for the tools are spread out over a three to four month period.

For the year ended December 31, 2008, net cash used in operating activities totaled $16,000. This was due to the positive net income generated during the year, plus non-cash charges, less working capital increases (primarily accounts receivable and inventory, which increased due to the significant sales increase).

Net cash used in investing activities was approximately $21,503,000 which primarily relates to the cash portion of the Basic Comfort and Kiddopotamus acquisitions, in addition to year to date capital expenditures of approximately $3,863,000 and purchases of intangible assets totaling $1,682,000.

Net cash provided by financing activities was approximately $21,714,000 which relates to amounts borrowed to fund increases in working capital and the acquisitions of Basic Comfort and Kiddopotamus.

Based on the above factors, the net cash decrease for the year ended December 31, 2008 was approximately $783,000, resulting in a cash balance of approximately $988,000 at December 31, 2008.

Summer believes that its cash on hand and current banking facilities are sufficient to fund its cash requirements for at least the next 12 months. However, unforeseen circumstances, such as softness in the retail industry or deterioration in the business of a significant customer, could create a situation where Summer cannot access all of the available lines of credit due to not having sufficient assets or EBITDA. In addition, there is no assurance that Summer will meet all of its bank covenants in the future, or that its lender will grant waivers if there are covenant violations.

Summer s strategy for funding its business going forward is a combination of increased profitability, and if necessary, negotiation of increased borrowing lines as required with traditional lenders.

On April 10, 2008, Summer entered into two new three-year secured credit facilities (the Loan Agreement) with Bank of America, N.A., as Administrative Agent, and each of the financial institutions that is a signatory to the Loan Agreement. The Loan Agreement provides for a $36,000,000 working capital revolving credit facility and a $10,000,000 non-restoring acquisition credit facility. The new credit facilities mature on June 30, 2011. The acquisition credit facility has been utilized in its entirety as of June 30, 2008.

Summer and its subsidiaries, Summer Infant (USA), Inc., Summer Infant Europe Limited, Summer Infant Asia Limited and Summer Infant Canada, Limited are the borrowers under the Loan Agreement. These credit facilities replaced Summer s prior line of credit and are being used principally to fund growth opportunities and for working capital purposes.

Summer s ability to borrow under the Loan Agreement is subject to its ongoing compliance with a number of financial and other covenants, including the following (i) that Summer and its subsidiaries maintain a net worth of $50,000,000 plus the sum of 50% of net income earned in each fiscal year, (ii) that Summer and its subsidiaries maintain a ratio of total funded debt to EBITDA of not greater than 3.50:1.00, and (iii) that Summer and its subsidiaries maintain a ratio of operating cash flow to debt service of not less than 1.25:1.00. In addition, if Summer s ratio of total funded debt to EBITDA is greater than 3.25:1.00 as of December 31, 2008, the total commitment amount under the working capital revolving credit facility will reduce by $4,000,000 on March 31, 2009. Furthermore, if Summer s ratio of total funded debt to EBITDA is greater than 3.25:1.00 for any fiscal year, the agreegate amount that may be borrowed under the Loan Agreement will be determined by reference to a borrowing base.

These credit facilities bear interest at a floating rate based on a spread over LIBOR ranging from 150 basis points to 200 basis points, depending upon the ratio of the Company s total funded debt to EBITDA. As of December 31, 2008, the rate on these credit facilities ranged between 1.95% and 4.42%. In addition, these credit facilities have an unused line fee based on the unused amount of the credit facilities equal to 25 basis points. The Company has also entered into various interest swap agreements which fixes the interest rates on a portion of the outstanding debt.

The Loan Agreement also contains customary events of default, including a cross default provision and a change of control provision. In the event of a default, all of the obligations of the Company and its subsidiaries under the Loan Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations become due and payable.

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As of December 31, 2008, the Company had approximately $39,676,000 outstanding of the total committed amount of $46,000,000. In addition, the Company has $3,859,000 outstanding on the loan related to the construction of the corporate headquarters.

The Company was in compliance with all covenants as of December 31, 2008.

The following table summarizes our significant contractual commitments at December 31, 2008:

	Payment Due by Period				
Contractual Obligations	**Total**	**2009**	**2010**	**2011**	**2012 and beyond**
			(In Thousands)		
Line of credit/acquisition facility	$ 39,676	$ 1,333	$ 2,000	$ 36,343	
Estimated future interest payments on line of credit	3,155	1,262	1,262	631	
Operating leases	4,793	1,707	1,458	811	$ 817
Capital leases	397	215	161	31	
Construction loan	3,859	105	112	120	3,522
Total contractual cash obligations	$ 51,880	$ 4,622	$ 4,993	$ 37,936	$ 4,339

Estimated future interest payments on our line of credit were based upon the interest rates in effect at December 31, 2008.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during either of the years ended December 31, 2008 and 2007.

Non-GAAP Discussion

In addition to our GAAP results, we also disclose non-GAAP measures of our performance. Adjusted EBITDA, as defined below, is an important supplemental financial measure of our performance that is not required by, or presented in accordance with, GAAP. As used herein, Adjusted EBITDA represents net income (loss) before income taxes, interest expense, and depreciation and amortization and non-cash stock option expense. We believe that the presentation of Adjusted EBITDA provides useful information regarding our results of operations because it assists in analyzing and benchmarking the performance and value of our business. We believe that Adjusted EBITDA is useful to stockholders as a measure of comparative operating performance, as it is less susceptible to variances in actual performance resulting from depreciation and amortization and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance.

Adjusted EBITDA also is used by our management for multiple purposes, including:

- to calculate and support various coverage ratios with our lenders;

- to allow lenders to calculate total proceeds they are willing to loan to us based on our relative strength compared to other competitors; and

- to more accurately compare our operating performance from period to period and company to company by eliminating differences caused by variations in capital structures (which affect relative interest expense), tax positions and amortization of intangibles.

Although we use Adjusted EBITDA as a financial measure to assess the performance of our business, there are material limitations to using a measure such as Adjusted EBITDA, including the difficulty associated with using it as the sole measure to compare the results of one company to another and the inability to analyze significant items that directly affect a company s net income (loss) or operating income because it does not include certain material costs, such as interest and taxes, necessary to operate its business. In addition, our calculation of Adjusted EBITDA may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measures that are computed in accordance with GAAP. Our management compensates for these limitations in considering Adjusted EBITDA in conjunction with its analysis of other GAAP financial measures, such as net income (loss).

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

Reconciliation of Income before interest to unaudited Adjusted EBITDA

	Year Ended December 31 (restated) 2008	2007
	(In Thousands)	
Income before interest	$ 9,339	$ 5,963
Plus: depreciation and amortization	2,903	1,378
Plus: litigation and deal related expenses	214	305
Plus: non-cash stock option expense	360	376
Adjusted EBITDA, as defined	$ 12,816	$ 8,022

The increase in Adjusted EBITDA for the past year has been primarily the result of the sales increases that have occurred. Sales increased from $80,500,000 in 2007 to $132,369,000 in 2008.

For the years ended December 31, 2008 and 2007, Adjusted EBITDA , as defined, includes the addition of certain litigation and deal-related expenses that we believe to be nonrecurring.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company adopted FAS 157 for its financial assets and liabilities effective January 1, 2008.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. This was adopted effective January 1, 2007. As a result of the implementation of FIN 48, we recognized no adjustments in uncertain tax benefits. As of December 31, 2008, we have $0 of accrued interest related to uncertain tax positions.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations , or SFAS No. 141(R). This statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS No. 141(R) are effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company will adopt this statement, as applicable on January 1, 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Non-controlling Interests in Consolidated Financial Statements-An Amendment to Accounting Research Bulletin (ARB) No. 51 , or SFAS No. 160. This statement amends ARB No. 51, Consolidated Financial Statements , to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement also amends certain of ARB No. 51 s consolidation procedures for consistency with the requirements of SFAS No. 141(R). In addition, SFAS No. 160 also includes expanded disclosure requirements regarding interests of the parent and its non-controlling interest. The provisions of SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company will adopt this statement, as applicable, on January 1, 2009.

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In February 2008, the FASB issued Staff Position (FSP) No. 157-1 and FSP No. FSP 157-2. FSP No. 157-1 removes certain leasing transactions from the scope of SFAS No. 157. FSP No. 157-2 partially defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities that are recognized at fair value on a nonrecurring basis. Under FSP No. 157-2, the effective date for non-financial assets and liabilities that are recognized at the fair value on a nonrecurring basis will be for fiscal years beginning after November 15, 2008. FSP No. 157-2 is effective for the Company of January 1, 2009. The Company is assessing the potential impact of adopting FSP No. 157-2, but does not believe that the adoption will have a significant impact on the Company s consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The intent of the position is to improve the consistency between the useful life of an recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (R). FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and is effective for the Company beginning January 1, 2009. The Company is assessing the potential impact that the adoption of FSP FAS 142-3 will have on the useful lives of its intangible assets but does not expect it to have a material impact on its consolidated results of operations and financial condition.

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Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are attached to this Annual Report on Form 10-K beginning on Page F-1.

Item 9A(T) Controls and Procedures

On November 2, 2009, we announced that certain of our previously issued financial statements must be restated because they contain errors under GAAP relating to accounting for interest rate swap agreements. We determined that the fair value of the swaps declined due to the dislocation in the financial markets, but this was not recorded by us. Therefore, as a result we are restating our 2008 results to record an increase in net liabilities and a reduction of stockholders equity (through an after-tax charge in the income statement) of approximately $0.7 million, which reflects the reduced fair value of the swaps at December 31, 2008. This will reduce stockholders equity from $62.2 million to $61.5 million at December 31, 2008. For a more detailed discussion regarding the restatements, see Note 2 to our consolidated financial statements included herein.

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this Annual report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2008. Our principal executive officer and principal financial officer have concluded, based on their evaluation, that as of the end of the period covered by this report, our disclosure controls and procedures were ineffective as of December 31, 2008. The Company had a deficiency as a result of not recording the fair value of its swap agreements in accordance with generally accepted accounting principles.

(b) Management s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of , a company s principal executive and principal financial officers and effected by a company s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes those policies and procedures that:

1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;

2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and the board of directors of the company; and

3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or deposition of a company s assets that could have a material effect on its financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s management has used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of the Company s internal control over financial reporting. Management has selected the COSO framework for its evaluation as it is a control framework recognized by the SEC and the Public Company Accounting Oversight Board, that is free from bias, permits reasonably consistent qualitative and quantitative measurement of the Company s internal controls, is sufficiently complete so that relevant controls are not omitted, and is relevant to an evaluation of internal controls over financial reporting.

Management of the Company conducted an evaluation of the effectiveness, as of December 31, 2008, of the Company s internal control over financial reporting based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). Based on its evaluation under the COSO Framework, management has concluded that the Company s internal control over financial reporting was not effective as of December 31, 2008.

Identification of a Material Weakness

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

In November 2009, it was determined that the Company s method for calculating interest on its financing agreements, specifically the interest rate swaps and their fair value, were not correct as further described under (a) above, and the Company s management has elected to restate the financial statements for 2008.

Remediation of a Material Weakness

The Company conducted an internal review of its accounting for interest rate swap transactions to ensure its accounting for the interest rate swaps are in accordance with Generally Accepted Accounting Principles. The Company believes that controls are in place at this time to ensure proper accounting of interest rate swaps.

The annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Our management s report was not subject to attestation by our registered public accounting

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firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only our management s report in this annual report.

(c) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Pursuant to our Amended and Restated Certificate of Incorporation, our Board of Directors is divided into three classes. The terms of current Class A directors Myra Hart and Robert Stebenne will expire at the annual meeting of stockholders to be held in 2011. The terms of current Class B directors Steven Gibree, Martin Fogelman and Richard Wenz will expire at the at the annual meeting of stockholders to be held in 2009. The terms of current Class C director, Jason Macari, expires at the annual meeting of stockholders to be held in 2010.

Based on its review of the relationships between its existing directors and our company and our subsidiaries, our Board of Directors has affirmatively determined that a majority of our directors are independent under the rules of the Nasdaq Stock Market.

On March 6, 2007, under an Agreement and Plan of Reorganization, dated as of September 1, 2006, we acquired Summer Infant, Inc. (Summer Predecessor), through the merger of our acquisition subsidiary and Summer Predecessor. Prior to the merger, we were referred to as KBL Healthcare Acquisition II, Inc. (KBL). Effective upon closing this merger, we changed our name to Summer Infant, Inc. Upon completion of the merger, our Board of Directors was increased to seven members. Two persons who were designated by the former stockholders of Summer Predecessor, Jason P. Macari and Steven Gibree, were added to our Board of Directors. Two persons, Marlene Krauss and Martin Fogelman, were designated by certain of our founding stockholders. The other three members of our Board of Directors, Myra Hart, Robert Stebenne and Richard Wenz, were mutually designated by these founding stockholders and by these former Summer Predecessor stockholders. Ms. Krauss resigned from the Board of Directors in 2008 and her seat on the Board of Directors will be filled at the Company s 2010 Annual Meeting when it comes up for election. These stockholders have entered into a voting agreement with respect to the election of directors. See Voting Agreement below.

Board of Directors

The following table sets forth certain information with respect to our Board of Directors, their principal occupations, ages, independence status, as determined in accordance with rules of the Nasdaq Stock Market, and periods of service on our Board of Directors. Information regarding their ownership of shares of our common stock as of April 27, 2009 may be found at *Security Ownership of Certain Beneficial Owners and Management* .

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Class	Name	Age	Principal Occupation	Independent Status	Director Since	Term of Office Will Expire
A	Myra Hart (1)	68	Consultant	Y	March 2007	2011
A	Robert Stebenne (2)	55	Owner, Bob Stebenne Associates	Y	March 2007	2011
B	Steven Gibree (3)	42	EVP of Prod. Dev. Summer Infant, Inc.	N	March 2007	2009
B	Martin Fogelman (4)	65	Indep. Consultant Baby Prod. Industry	Y	March 2007	2009
B	Richard Wenz (5)	59	Consultant /Private Investor	Y	March 2007	2009
C	Jason Macari (6)	46	CEO, Summer Infant, Inc.	N	March 2007	2010

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(1) Dr. Hart serves on the senior faculty of Harvard Business School where she taught entrepreneurship from July 1995 to 2007. From 1990 to 1995, she was a full-time doctoral candidate at Harvard University. From 1985 until 1990, Ms. Hart was a member of the founding team of Staples, Inc. where she was vice president of growth and development. Ms. Hart is a Director of Office Depot, Inc. (ODP:NYSE), Kraft Foods Inc. (KFT:NYSE), and Nina McLemore Inc., a privately held company. She is a director of the Center for Women s Business Research, a Trustee of Babson College, and a Presidential Councillor of Cornell University. Ms. Hart received a B.A. from Cornell University and MBA and DBA from Harvard University.

(2) Mr. Stebenne currently owns and manages Bob Stebenne Associates, a firm that provides consulting services in the areas of brand development, product development and strategic planning, among other areas. Mr. Stebenne founded the firm in 2002. Prior to that time, from February 1999 to July 2002, Mr. Stebenne was the president of new business development for Hasbro Industries. From 1991 to January 1999, he was president of Hasbro s FOB/LC division, where he created a U.S. marketing, sales, product development, finance and logistics group. From 1982 to 1991, he was president of Hasbro s Playskool Baby division.

(3) Mr. Gibree is our executive vice president of product development with management oversight of research and development, product design and engineering and manufacturing relations. Prior to March 2007, Mr. Gibree held these same positions at Summer Predecessor, with whom he had been employed since November 2001. Prior to that time, Mr. Gibree was the vice president of engineering for Little Kids, Inc., a manufacturer of innovative toys, from March 2001 to November 2001. From May 1997 to March 2001, Mr. Gibree was director of engineering at Safety 1st, Inc. From May 1985 to May 1997, Mr. Gibree was employed by Hasbro, rising to project manager for the Kid Dimension Division.

(4) Mr. Fogelman has been an independent consultant to the baby products industry since April 2007. From May 2003 until March 2007, Mr. Fogelman was President of Baby Trend, Inc., a manufacturer of infant products. From 1983 to April 2003, he was senior vice president and general merchandise manager of both Toys *R* Us, a leading retailer of children s toys, and Babies *R* Us juvenile products division, a leading retailer of products for infants and toddlers.

(5) Mr. Wenz is a consultant and private investor and currently serves on the Board of Directors of Coach America, Inc., Strategic Partners, Inc. and Easton Bell Sports, Inc. From October 2000 to July 2003, Mr. Wenz was an operating partner/affiliate of DB Capital Partners, the private equity arm of Deutsche Bank A.G. and served on the board of directors of a number of portfolio companies, including NewRoads, Inc. and Jenny Craig International. Mr. Wenz also served as chief executive officer of Jenny Craig International from March 2002

to

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January 2003. Mr. Wenz was president and chief operating officer of Safety 1st, from February 1997 to May 2000. During 1995 and 1996, Mr. Wenz was the partner in charge of the Chicago office with The Lucas Group, a business strategy consulting firm. Prior to 1995, Mr. Wenz held senior executive positions with Wilson Sporting Goods Co., Electrolux Corporation, The Regina Company and Professional Golf Corporation. Mr. Wenz began his career in 1971 with Arthur Young & Company (predecessor of Ernst & Young) and left the firm as a partner in 1983. Mr. Wenz is a certified public accountant.

(6) Mr. Macari has been our Chief Executive Officer and a director since March 2007. Prior to March 2007, Mr. Macari was Chief Executive Officer and founder of Summer Predecessor, which he founded in 2001. Prior to that time, Mr. Macari was vice president of product development and general manager of Safety 1st, Inc., a leading manufacturer of safety and baby products from August 1994 to June 2001. From May 1988 to August 1994, Mr. Macari managed the manufacturing engineering group of the Davol Division of CR Bard, a manufacturer of surgical products.

Board of Directors Meetings and Committees of the Board

Attendance of Directors

In 2008, four meetings of our Board of Directors were held. All directors attended more than seventy-five percent of the meetings. All directors attended in excess of 75% of the meetings of the committees of our Board of Directors on which they served. Our directors are encouraged, but not required, to attend annual meetings.

Compensation of Directors

We do not pay our directors who are also executive officers any additional compensation for service as directors.

In 2008, the compensation for non-employee directors included the following:

- Cash Board of Directors meeting attendance fee of $1,000 per meeting attended in person and $500 for each meeting by telephone;

- Cash meeting attendance fee of $1,000 for each meeting of the Audit Committee and $500 for each meeting of any other committee of our Board of Directors;

- $10,000 annual retainer for all directors;

- $5,000 annual retainer for the Chairman of the Audit Committee;

- $2,500 annual retainer for the Chairman of any other committee of our Board of Directors;

- $1,500 annual retainer for other members of the committees of our Board of Directors;

- Expense reimbursement for all reasonable expenses incurred in attending meetings and tending to our business; and

- In 2007, there was a grant of 40,000 stock options under the 2006 Performance Equity Plan to each director, which vested 25% on the date of grant and 25% annually on each anniversary of the grant date.

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The following table shows non-employee director compensation in 2008:

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Options Awards ($) (2)	Non-Equity Incentive Plan Compensation Earnings	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other ($)	Total ($)
Martin Fogelman	$ 22,000		$ 13,400			$ 57,000(3)	$ 92,400
Myra Hart	$ 25,500		$ 13,400				$ 38,900
Robert Stebenne	$ 23,500		$ 13,400				$ 36,900
Richard Wenz	$ 33,000		$ 13,400				$ 46,400

(1) Messrs. Macari and Gibree are not included in this table as they are executive officers and, accordingly, receive no compensation for their service as directors. The compensation received by Messrs. Macari and Gibree as executive officers is shown in the Summary Compensation Table below.

(2) The amounts in this column do not reflect compensation actually received by the named director or the actual value that may be recognized with respect to these awards in the future. The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with FAS 123(R) for awards granted in 2007. Assumptions used in the calculation of these amounts are included in Note 7 in the notes to our audited consolidated financial statements for the fiscal year ended December 31, 2008 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 25, 2009.

(3) Mr. Fogelman receives $4,750 per month as a paid consultant to our company.

Committees of the Boards of Directors

Our Board of Directors has designated the following committees: an Audit Committee, a Compensation Committee and a Nominating Committee. The composition and objectives of each committee are described below. Our Board of Directors continues to review its committees and the independence and qualifications of its current committee members in light of changes required under the Sarbanes-Oxley Act of 2002 and by the Securities and Exchange Commission (the SEC) and the Nasdaq Stock Market.

Our Board of Directors has determined that a majority of the members of our Board of Directors are independent directors under the rules of the Nasdaq Stock Market. See *Corporate Governance* below.

Audit Committee

The Audit Committee held four meetings in 2008. As described in the Audit Committee s charter, a copy of which is available on our website at www.summerinfant.com, the primary function of the Audit Committee is to appoint, retain, set compensation of, and supervise our independent accountants, review the results and scope of the audit and other accounting related services and review our accounting practices and systems of internal accounting and disclosure controls.

The Audit Committee currently consists of three members: Richard Wenz, Chairman, Myra Hart and Robert Stebenne. Each member of the Audit Committee is an independent director under SEC rules. No member of the Audit Committee is an employee of our company or any of its subsidiaries. We have not relied on exemptions for Audit Committee independence requirements contained in Rule 10A-3 under the Securities Exchange Act of 1934. The members of the Audit Committee are required to have extensive business and financial experience. They are also required to have a good understanding of financial statements, including our

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balance sheet, income statement, cash flow statement and its quarterly and annual reports on Forms 10-Q and 10-K and related financial statements and disclosures. Our Board of Directors has determined that Mr. Wenz qualifies as an Audit Committee financial expert.

The Audit Committee meets with our external and internal auditors and principal financial personnel to review quarterly financial results and the results of the annual audit (in both regular and executive sessions). The Audit Committee reviews and approves annual external auditor engagement plans, scopes and fees. The Audit Committee approves all fees and terms related to the annual independent audit as well as all permissible non-audit engagements of the external auditors. The Audit Committee pre-approves all audit and permissible non-audit services to be performed by the external auditors.

Compensation Committee

The Compensation Committee met four times in 2008. As described in the Compensation Committee s charter, which is available on our website at www.summerinfant.com, the Compensation Committee is responsible for the review and approval of our compensation paid to our executive officers and to the administration of our incentive compensation plans, which includes authority to make and modify awards under those plans.

The Compensation Committee currently consists of three members: Myra Hart, Chairman, Martin Fogelman and Richard Wenz. Each member of the Compensation Committee is an independent director under SEC rules. No member of the Compensation Committee is an employee of our company or any of its subsidiaries.

Nominating Committee

The Nominating Committee met two times in 2008. As described in the Nominating Committee s charter, which is available on our website at www.summerinfant.com, the Nominating Committee is responsible for overseeing the selection of persons to be nominated to serve on our Board of Directors.

The Nominating Committee currently consists of three members: Robert Stebenne, Chairman, Martin Fogelman and Richard Wenz. Each member of the Nominating Committee is an independent director under SEC rules. No member of the Nominating Committee is an employee of our company or any of its subsidiaries.

The Nominating Committee will consider persons identified by its members, management, stockholders, investment bankers and others. Until our annual meeting of stockholders to be held in 2010, the nominees for our Board of Directors are determined pursuant to the terms of the voting agreement described below and approved by the Nominating Committee.

The Nominating Committee will identify, evaluate and recommend candidates to become members of our Board of Directors with the goal of creating a balance of knowledge and experience. Nominations to our Board of Directors may also be submitted to the Nominating Committee by our stockholders in accordance with our policy, as described below. Candidates will be reviewed in the context of the current composition of our Board of Directors, our operating requirements and the long-term interests of our stockholders. In conducting this assessment, the Nominating Committee will consider and evaluate each director-candidate based upon its assessment of the following criteria:

- Whether the candidate is independent pursuant to the requirements of the Nasdaq Stock Market.

- Whether the candidate is accomplished in his or her field and has a reputation, both personal and professional, that is consistent with our image and reputation.

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- Whether the candidate has the ability to read and understand basic financial statements. The Nominating Committee also will determine if a candidate satisfies the criteria for being an audit committee financial expert, as defined by the SEC.

- Whether the candidate has relevant experience and expertise and would be able to provide insights and practical wisdom based upon that experience and expertise.

- Whether the candidate has knowledge of us and issues affecting us.

- Whether the candidate is committed to enhancing stockholder value.

- Whether the candidate fully understands, or has the capacity to fully understand, the legal responsibilities of a director and the governance processes of a public company.

- Whether the candidate is of high moral and ethical character and would be willing to apply sound, objective and independent business judgment, and to assume broad fiduciary responsibility.

- Whether the candidate has, and would be willing to commit, the required hours necessary to discharge the duties of Board membership.

- Whether the candidate has any prohibitive interlocking relationships or conflicts of interest.

- Whether the candidate is able to develop a good working relationship with other Board members and contribute to the Board s working relationship with our senior management.

- Whether the candidate is able to suggest business opportunities to us.

Stockholders who wish to recommend to the Nominating Committee a candidate for election to our Board of Directors should send their letters to us, Attention: Nominating Committee. Our Corporate Secretary will promptly forward all letters to the members of the Nominating Committee. Stockholders must follow certain procedures to recommend to the Nominating Committee candidates for election as directors. In general, in order to provide sufficient time to enable the Nominating Committee to evaluate candidates recommended by stockholders in connection with selecting candidates for nomination in connection with our annual meeting of stockholders, the Corporate Secretary must receive the stockholder s recommendation no later than thirty (30) days after the end of our fiscal year.

The recommendation must contain the following information about the candidate:

- Name;
- Age;
- Business and current residence addresses, as well as residence addresses for the past 20 years;
- Principal occupation or employment and employment history (name and address of employer and job title) for the past 10 years (or such shorter period as the candidate has been in the workforce);
- Educational background;
- Permission for us to conduct a background investigation, including the right to obtain education, employment and credit information;
- The number of shares of our common stock beneficially owned by the candidate;

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- The information that would be required to be disclosed by us about the candidate under the rules of the SEC in a Proxy Statement soliciting proxies for the election of such candidate as a director (which currently includes information required by Items 401, 404 and 405 of Regulation S-K); and

- A signed consent of the nominee to serve as a director, if elected.

Voting Agreement

Messrs. Macari and Gibree and certain of our other stockholders entered into a voting agreement in connection with the KBL/Summer Predecessor merger. The individuals that were party to this voting agreement owned approximately 38.5% of our outstanding common stock in the aggregate at the date of the agreement. The voting agreement provides that Messrs. Macari and Gibree, on the one hand, and the other founding stockholders party to this voting agreement, on the other hand, will each designate two directors and mutually designate three additional directors to our Board of Directors. Each of the parties to the voting agreement will vote for these designees as directors until immediately following the election to be held in 2010.

Under the terms of the voting agreement, Messrs. Macari and Gibree, on the one hand, and the other founding stockholders party to this agreement, on the other hand, have agreed to vote for the designees to our Board of Directors through the election in 2010 as follows:

- Class A Myra Hart and Robert Stebenne

- Class B Steven Gibree, Martin Fogelman and Richard Wenz

- Class C Jason Macari

Corporate Governance

Independence

Our Board of Directors has adopted categorical standards to assist it in making independence determinations. Under those standards, in determining independence each year, our Board of Directors will analyze each director s relationship with us and our subsidiaries to determine whether our directors are independent under the rules of the Nasdaq Stock Market. Our Board of Directors has determined that all of our current directors, except Messrs. Macari and Gibree, are independent within the meaning of the independence rules of the Nasdaq Stock Market.

Executive Sessions

All directors who are not employees of our company or our subsidiaries meet in executive session at least quarterly.

Code of Ethics

We have adopted a comprehensive Code of Ethics for all employees and directors, which can be found on our website at www.summerinfant.com.

Communications with Directors

Stockholders may send communications to our Board of Directors, the Chairman, or one or more non-management directors by using the contact information provided on our website. Stockholders also may send communications by letter addressed to our Corporate Secretary at Summer Infant, Inc., 1275 Park East Drive, Woonsocket, Rhode Island 02895. All communications will be received and reviewed by our Corporate Secretary. Stockholder concerns about our accounting, internal controls, auditing matters or business practices will be reported to the Audit Committee. All other concerns will be reported to the appropriate committee(s) of

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our Board of Directors.

EXECUTIVE OFFICERS

Our executive officers are set forth below.

Name	Age	Position
Jason Macari (1)	46	Chairman of the Board of Directors and Chief Executive Officer
Steven Gibree (2)	42	EVP of Product Development and director
Joseph Driscoll (3)	44	Chief Financial Officer and Treasurer

(1) Mr. Macari has been our Chief Executive Officer and a director since March 2007. Prior to March 2007, Mr. Macari was Chief Executive Officer and founder of Summer Predecessor, which he founded in 2001. Prior to that time, Mr. Macari was vice president of product development and general manager of Safety 1st, Inc., a leading manufacturer of safety and baby products from August 1994 to June 2001. From May 1988 to August 1994, Mr. Macari managed the manufacturing engineering group of the Davol Division of CR Bard, a manufacturer of surgical products.

(2) Mr. Gibree is our executive vice president of product development with management oversight of research and development, product design and engineering and manufacturing relations. Prior to March 2007, Mr. Gibree held these same positions at Summer Predecessor, with whom he had been employed since November 2001. Prior to that time, Mr. Gibree was the vice president of engineering for Little Kids, Inc., a manufacturer of innovative toys, from March 2001 to November 2001. From May 1997 to March 2001, Mr. Gibree was director of engineering at Safety 1st, Inc. From May 1985 to May 1997, Mr. Gibree was employed by Hasbro, rising to project manager for the Kid Dimension Division.

(3) Mr. Driscoll has been our chief financial officer since March 2007. Prior to March 2007, Mr. Driscoll was the chief financial officer at Summer Predecessor, with whom he had been employed since September 2006. From May 2001 to September 2006, Mr. Driscoll was employed as vice president of finance and later served as chief financial officer for ACT Electronics, Inc., an electronics manufacturer. From May 2000 to May 2001, Mr. Driscoll was employed as vice president of finance for PCI, Inc., an internet based marketing services company. From April 1997 to May 2000, Mr. Driscoll was employed as vice president of finance and later served as chief financial officer for Safety 1st, Inc. From September 1993 to April 1997, Mr. Driscoll was employed as assistant corporate controller and later served as director of financial reporting for Staples, Inc. From July 1986 to February 1992, Mr. Driscoll was employed as an audit manager for KPMG Peat Marwick. From February 1992 to September 1993, Mr. Driscoll was employed as corporate controller for E-II Holdings, Inc., an international consumer products company. Mr. Driscoll is a licensed Certified Public Accountant.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC reports of ownership and changes in ownership of our common stock and other equity securities. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on review of the copies of those reports furnished to us or written or oral representations that no other reports were required, we believe that during 2008, all filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

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Item 11.Executive Compensation

Compensation Discussion and Analysis

The compensation committee of the board of directors consists of independent directors who are responsible, on behalf of the Board of Directors, for reviewing and approving the amounts and types of compensation paid to the Company s executive officers and the non-employee directors, as well as all bonus and equity compensation paid to other Company employees.

The committee is responsible for determining that compensation paid under the Company s programs is equitable (i.e., that it is appropriate to the responsibilities of the position), the performance of the company and the individual, and meets the standards of the competitive marketplace. The committee typically meets four times per year and additionally as needed. The committee met 4 times during 2008. The compensation committee s chairman regularly reports to the board of directors on compensation committee policy, procedures, actions, and recommendations. The Company s compensation committee has authority to retain (at the Company s expense) outside counsel, compensation consultants and other advisors to assist as needed.

The individuals who served as the Company s chief executive officer, executive vice president of product development, and chief financial officer during fiscal year 2008, are referred to as the named executive officers. With respect to the named executive officers (NEOs), this Compensation Discussion and Analysis identifies the Company s current compensation philosophy and objectives and describes the various methodologies, policies and practices for establishing and administering the compensation programs of the named executive officers.

Compensation Objectives

The goals of the compensation program are:

- To attract, retain and motivate qualified executives who will lead the company to in achieving high performance.

- To support business strategies that result in superior long term shareholder value.

- To align pay with performance by making a substantial portion of compensation dependent on achievement of corporate financial and strategic objectives as well as individual performance goals.

- To align management interests with those of our shareholder base by making a substantial portion of compensation equity-based.

The compensation committee believes that a properly structured compensation program attracts and retains talented individuals and motivates them to achieve specific short- and long-term strategic objectives. In order to do that, a significant percentage of executive pay is based on the principle of pay-for-performance. The compensation committee is committed to ensuring that the total compensation package of named executive officers is competitive with compensation at peer-group companies. The peer group used by HR Xpress included various consumer product companies in New England.

The Company s executive compensation programs are designed to provide:

- levels of base compensation that are appropriate to the responsibilities of the position and competitive with comparable companies;

- annual incentive awards that vary in a manner consistent with the achievement of the performance targets for the company and of individual performance objectives.

- long-term incentive compensation that focuses executive efforts on building shareholder value through meeting longer-term financial and strategic goals; and

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- executive benefits that are competitive with comparable companies.

In designing and administering Summer Infant s executive compensation programs, the compensation committee attempts to strike an appropriate balance among these various elements.

- The committee considers the pay practices of the compensation peer group to assess the appropriate pay mix and compensation levels.

- With respect to performance-based pay, the compensation committee believes that executive compensation should be closely tied to achievement of the financial and operational goals established in advance by the Board of Directors of the Company, as well as to the achievement individual performance goals of the named executive officers.

- The committee uses equity-based compensation to align the executives interests with those of the Company s shareholders over a longer period of time. For purposes of retention, the compensation committee believes that the equity-based compensation should have meaningful conditions that encourage valued employees to remain in the employ of the Company as well as to achieve the performance goals of the company.

- The committee also considers executive benefit programs as a means to attract, retain and motivate highly qualified executives

Methodology for Establishing Compensation

The compensation committee is comprised of three independent directors who satisfy the Nasdaq listing requirements and relevant SEC regulations. There are no interlocking relationships between any member of our compensation committee and any of our executive officers. None of the compensation committee members is an officer, employee or former officer or employee of the Company.

The compensation committee is responsible for all compensation decisions for the chief executive officer and other named executive officers. The chief executive officer annually reviews the performance of the other named executive officers, including consideration of market pay practices of the compensation peer group in conjunction with both Company and individual performance. The conclusions and recommendations of the chief executive officer are presented to the compensation committee for approval. The compensation committee has absolute discretion as to whether it approves the recommendations of the chief executive officer or makes adjustments, as it deems appropriate.

The Elements of Compensation

Total direct compensation includes cash, in the form of base salary and annual incentives. Equity in the form of restricted stock and options is used as a long-term incentive. The compensation committee evaluates the mix between these three elements of compensation based on the pay practices of comparable companies. Summer Infant is a young company and its compensation design is very much a work in progress. In 2008, with the assistance of a professional compensation consultant, HR Xpress, the company and the compensation committee reviewed all professional positions and classified them as to level of responsibility, appropriate base pay ranges and incentive payout ranges. The compensation decisions were made on the basis of competitive information provided by the consultant.

The companies included in the compensation peer group were selected primarily on the basis of their comparability to the Company based on a combination of geography (companies based in New England) and size, as measured through annual revenue, market capitalization and other financial measures. Although the compensation committee also considered and reviewed information from proxy statements and other relevant survey data, it particularly focused on the practices of the compensation peer group in considering compensation levels for the chief executive officer and the other named executive officers.

In its annual review, the compensation committee considers the opinions and recommendations of the chief executive officer and various outside counsel and strives to be fully informed in its determination of the appropriate compensation mix and award levels for the named executive officers. All compensation decisions are made with consideration of the compensation committee s guiding principles of fairness to employees, retention of talented executives and the achievement of improved Company performance, which ultimately benefits the Company s shareholders. With respect to the named executive officers, the following describes in greater detail the objectives and policies behind the various elements of the compensation mix.

Base Salary

The compensation committee strives to provide that employees are paid a base salary that is competitive with salaries paid by comparable organizations for similar work, based on each employee s experience, performance and geographic location. Generally, the Company has chosen to target cash compensation at market median levels in order to remain competitive in attracting and retaining executive talent. The allocation of total cash between base salary and incentive bonus awards is based on a variety of factors. The compensation committee considers a combination of the executive s performance, the performance of the Company and the individual business or corporate function for which the executive is responsible, the nature and importance of the position and role within the Company, the scope of the executive s responsibility, internal relationships or comparisons and the current compensation package in place for that executive, including the executive s current annual salary and potential bonus awards under the Company s short-time incentive plan.

The compensation committee generally evaluates executive salaries annually. An analysis of executive compensation indicated that base salaries for the named executive officers were generally positioned at the market median. For the 2008 fiscal year, based upon the compensation committee s assessment of the information and factors described above, the compensation committee determined to increase the base salaries of the named executive officers incrementally to maintain market median levels.

Annual Incentive Bonus

The Company intends to continue its strategy of compensating the named executive officers through programs that emphasize performance-based incentive compensation. The Company s short-term incentive compensation program is designed to recognize and reward executive officers and other employees who contribute meaningfully to an increase in stockholder value and profitability.

In general, the funding of the annual incentive bonus pool is dependent upon earnings before interest, taxes, depreciation and amortization (after deducting incentive compensation) of the Company, in addition to meeting certain other targets. If the plan is fully funded, each named executive officer has the ability to receive the target bonus payout. The percentage of the target bonus actually paid to each named executive officer depends on the attainment of corporate financial goals and individual performance targets.

The EBITDA target for 2008 was $13.8 million (after deducting incentive compensation) on a pro forma basis (which incorporates a full 12 months of results of the companies acquired by Summer during 2008). The company was able to fund $700,000 of bonus payments for 2008 and still meet the $13.8 million target. The actual payout by person is dependent upon the Company achieving its EBITDA targets and the achievement of personal goals.

The target bonus payouts are 50% of salary for Jason Macari and Steve Gibree and 30% of salary for Joseph Driscoll.

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The named executive officers earned bonuses in 2008 that were below their target percentages. The bonus determination for 2008 was based on Company performance (specifically EBITDA) plus individual achievements. The company is formalizing its bonus programs in 2009 so that there is even greater structure around the computation and payment of bonuses.

Long-Term Incentive Awards

Long-term incentive awards are the third component of the Company s total compensation package. The compensation committee believes that equity-based compensation ensures that the Company s officers have a continuing stake in the long-term success of the Company. The Company s 2006 Incentive Plan provides for equity incentive awards, which include qualified and nonqualified stock options, restricted stock, stock appreciation rights, long-term incentive compensation units consisting of a combination of cash and common stock or any combination thereof within the limitations set forth in the plan. The compensation committee approves all awards under the plan and acts as the administrator of the plan.

Award levels under the plan are determined based on the compensation practices of the compensation peer group. In general, long-term incentive awards are targeted at the median of the compensation peer group with appropriate adjustments for individual and Company performance, although past awards have generally been below market levels. Options granted under the plan vest and become exercisable in equal installments over a four-year period from the grant date. All stock options have been granted with a ten-year term and have an exercise price equal to the fair market value of the Company s common stock on the date of grant. Restricted stock awards under the plan vest over a four year period. Restricted stock cannot be sold or transferred until the shares vest. Should a named executive officer leave the Company prior to the completion of the applicable vesting schedule, the unvested portion of the grant is forfeited.

There were no issuances of stock options or restricted stock awards in fiscal 2008.

The Company is still formalizing how long term incentive awards will be handled going forward. In 2008 there was not a formal process in place for administering long term incentives and there were no grants of long term incentive awards in 2008. The Company is actively working on preparing a more formal plan for 2009.

Broad-Based Benefits Programs

The named executive officers are entitled to participate in the benefits programs that are available to all full-time employees. These benefits include health, dental, and life insurance, healthcare reimbursement accounts, paid vacation and company contributions to a 401(k) profit-sharing retirement plan. Two of the named executive officers also receive a car allowance. The Company s 401(k) plan provides for matching contributions by the Company in an amount equal to the first 2% of employee compensation deferred, plus 50% of the next 1% of employee compensation deferred. All full-time employees age 21 and older are eligible to participate in the plan after six months of service.

Evaluation of Chief Executive Officer Compensation and Executive Performance

Role of Compensation Consultants and Benchmarking

Over the past year, the Company assessed the effectiveness of its compensation structure and, as part of this process, the Company has obtained a compensation study from HR Xpress, Inc. (HR Xpress). The most recent study was obtained on May 16, 2008 for the purpose of evaluating the competitiveness of the Company s executive compensation. The HR Xpress study included comparisons against a peer group consisting of the

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following companies, which were chosen because of their relation in size to the Company and their geographic location:

Buxton Company	CR Bard, Inc.
Hasbro, Inc.	FGX
Kenney Manufacturing	The Moore Company
North Safety Products	Princess House
Reed & Barton	Sperian
Swaroski, Inc.	Vectrix, Inc.

HR Xpress review covered all key components of these companies compensation, including base and incentive pay, benefit and pay practices. The compensation committee has had the discretion to determine how the HR Xpress data should be used and has chosen to use the data as a point of reference and only one factor in assisting it with evaluating the effectiveness and fairness of its executive compensation structure and pay levels as the compensation committee. While these benchmarks represent useful guidelines, the compensation committee exercises discretion in setting individual executive pay so that it appropriately reflects and addresses the relative complexity of the executive s role within the organization, the value and contributions of each executive, as well as the executive s leadership, commitment to our values, potential for advancement, and internal pay equity considerations. The compensation committee has not used the data to target executive officer compensation against the peer company compensation.

Compensation of Chief Executive Officer

The compensation committee meets with the other independent directors each year in executive session to evaluate the performance of the chief executive officer. The compensation committee also consults with its independent consultant in setting the chief executive officer s compensation. Neither the compensation committee nor its independent consultant confers with the chief executive officer or any other members of management when setting his base salary. The compensation committee does not rely solely on predetermined formulas or a limited set of criteria when it evaluates the performance of the chief executive officer and the other named executive officers. For fiscal year 2008, the compensation committee considered the chief executive officer s recent performance, his achievements in prior years, his achievement of specific short-term goals and the Company s performance in fiscal year 2007. Based on its review, the compensation committee at its February 2008 meeting approved a merit increase to raise the chief executive officer s salary to $350,000 effective on March 1, 2008.

Compensation of Other Named Executive Officers

The chief executive officer met with the compensation committee to review his compensation recommendations for the other named executive officers. He described the findings of his performance evaluation of all such persons and provided the basis of his recommendations with the compensation committee, including the scope of each person s duties, oversight responsibilities and individual objectives and goals against results achieved for fiscal year 2007.

In addition to approving adjustments to Mr. Macari s base salary, at its February 2008 meeting, the compensation committee approved a merit increase to raise the base salaries of the Company s other named executive officers, effective on March 1, 2008, as follows: Steve Gibree, $240,000 and Joseph Driscoll, $200,000. In its analysis of the other named executive officers, the compensation committee

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applied the same rationale to this group as it applied when considering the chief executive officer s base salary. While the compensation committee does not wholly base its compensation decisions on benchmarking against certain peer groups it does in part use the information received with respect to compensation paid to employees of companies in its peer group as one factor in determining the compensation that is paid to the Company s employees.

Administrative Policies and Practices

To evaluate and administer the compensation programs of the chief executive officer and other named executive officers, the compensation committee meets periodically each year in conjunction with regularly scheduled board meetings. The compensation committee also holds special meetings and meets telephonically to discuss extraordinary items.

The following table describes the compensation awarded to the Chief Executive Officer, the EVP of Product Development, and the Chief Financial Officer in 2008 and 2007 (the named executive officers):

SUMMARY COMPENSATION TABLE

Name & Principal Position	**Year**	**Salary ($)**	**(1) Bonus ($)**	**(2) Option Awards ($)**	**All Other Compensation ($)**	**Total ($)**
Jason Macari	2008	$ 347,596	$ 140,000		$ 19,849(3)	$ 507,445
Chief Executive Officer	2007	$ 275,000	$ 137,500		$ 229,996(3)	$ 648,496
Steve Gibree	2008	$ 235,769	$ 84,000	$ 56,950	$ 17,034(4)	$ 393,663
EVP of Product Development	2007	$ 220,000	$ 110,000	$ 99,663	$ 37,268(4)	$ 466,931
Joseph Driscoll	2008	$ 189,566	$ 50,000	$ 56,950	$ 4,600(5)	$ 301,116
Chief Financial Officer	2007	$ 170,000	$ 92,500	$ 99,663	$ 3,269(5)	$ 365,432

(1) The bonus amounts shown for 2007 were earned in 2007 and paid in 2008, with the exception of a $50,000 bonus paid to Mr. Driscoll in connection with the completion of the KBL/Summer Predecessor merger in March 2007. The 2008 bonus column reflects approved amounts for the named executives; no cash payments have been paid to date in 2009 related to the approved 2008 bonus.

(2) The amounts in this column do not reflect compensation actually received by the named executive or the actual value that may be recognized with respect to these awards in the future. The amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 and 2008, in accordance with FAS 123(R) for awards granted in 2007. Assumptions used in the calculation of these amounts are included in Note 7 in the notes to our audited consolidated financial statements for the fiscal year ended December 31, 2008 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 25, 2009. These

options have an exercise price of $5.25 and are therefore out of the money as of December 31, 2008.

(3) The 2007 amount represents (a) $210,600 in additional contingent amounts paid to Mr. Macari under the KBL/Summer Predecessor merger agreement, (b) $14,118 in compensation as a result of a company

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automobile provided to Mr. Macari, and (c) $5,278 in matching contributions made by us under our 401(k) plan for Mr. Macari s benefit. The 2008 amount includes $15,249 for the automobile benefit and $4,600 for the company 401(k) match.

(4) The 2007 amount represents (a) $23,400 in additional contingent amounts paid to Mr. Gibree under the KBL/Summer Predecessor merger agreement, (b) $9,706 in compensation as a result of a company automobile provided to Mr. Gibree, and (c) $4,162 in matching contributions made by us under our 401(k) plan for Mr. Gibree s benefit. The 2008 amount includes $12,434 for the automobile benefit and $4,600 for the company 401(k) match.

(5) The 2007 amount represents $3,269 in matching contributions made by us under our 401(k) plan for Mr. Driscoll s benefit. The 2008 amount includes $4,600 for the company 401(k) match.

NARRATIVE DISCLOSURE TO SUMMARY COMPENSATION TABLE

Material Terms of Employment Contracts of Named Executive Officers

Jason Macari, Chief Executive Officer. In connection with KBL/Summer Predecessor merger, Mr. Macari entered into an employment agreement with Summer Infant. This employment agreement is an appendix to the proxy statement we filed with the SEC in connection with the merger. Under the terms of this employment agreement, Mr. Macari serves as the chief executive officer for an initial term of three years. The employment agreement provides that Mr. Macari will receive an annual base salary of $275,000. Mr. Macari also may be awarded a bonus in an amount equal to up to 50% of his base salary during any fiscal year during the employment term. One half of that bonus would be based on his performance against performance criteria for that fiscal year to be set, in writing, by the Compensation Committee within 45 days after the Board of Directors approves the budget for that year and the remaining portion would be awarded in the discretion of the Compensation Committee.

The employment agreement provides that, in the event of the termination of Mr. Macari s employment without cause or upon termination of his employment as a result of a breach of the employment agreement, the company will continue to pay him his base salary in accordance with our normal payroll schedule for a period of 12 months from the date of termination. The employment agreement contains certain restrictive covenants that prohibit Mr. Macari from disclosing information that is confidential to Summer Infant and its subsidiaries and generally prohibits him, during the employment term and for one year thereafter, from soliciting or hiring employees or competing with Summer Infant.

Steven Gibree, Executive Vice President-Product Development. In connection with KBL/Summer Predecessor merger, Mr. Gibree entered into an employment agreement with Summer Infant. This employment agreement is an appendix to the proxy statement filed with the SEC in connection with the merger. Under the terms of this employment agreement, Mr. Gibree serves as Summer Infant s executive vice president of product development for an initial term of three years. The employment agreement provides that Mr. Gibree is to receive an annual base salary of $220,000. Mr. Gibree also may be awarded a bonus in an amount equal to up to 50% of his base salary during any fiscal year during the employment term. One half of that bonus would be based on his performance against performance criteria for that fiscal year to be set, in writing, by the Compensation Committee within 45 days after the Board of Directors approves the budget for that year and the remaining portion would be awarded in the discretion of the Compensation Committee.

The employment agreement provides that, in the event of the termination of Mr. Gibree s employment without cause or upon termination of his employment as a result of our breach of the employment agreement, Summer Infant will continue to pay him his base salary in accordance with the normal payroll schedule for a period of 12 months from the date of termination. The employment agreement contains certain restrictive covenants that prohibit Mr. Gibree from disclosing information that is confidential to Summer Infant and its subsidiaries and generally prohibits him, during the employment term and for one year thereafter, from soliciting or hiring employees or competing with Summer Infant.

Joseph Driscoll, Chief Financial Officer. In September 2006, Mr. Driscoll entered into a full-time

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employment agreement with Summer Predecessor. This employment agreement is an appendix to the proxy statement we filed with the SEC in connection with the merger. Under the terms of this employment agreement, Mr. Driscoll serves as our chief financial officer for an initial term of two years. The employment agreement provides that Mr. Driscoll is to receive an annual base salary of $170,000. Mr. Driscoll was also eligible to receive $92,500 in bonus payments in 2007 based on the company achieving its 2007 performance goals in addition to successfully completing the KBL merger.

The employment agreement provides that, in the event of the termination of Mr. Driscoll s employment by Summer Infant without cause or upon termination of his employment as a result of breach of the employment agreement, the company will continue to pay him his base salary in accordance with the normal payroll schedule for a period of six months from the date of termination. The employment agreement contains certain restrictive covenants that prohibit Mr. Driscoll from disclosing information that is confidential to Summer Infant and its subsidiaries and generally prohibits him, during the employment term and for one year thereafter, from soliciting or hiring our employees or competing with Summer Infant.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table provides information about outstanding equity awards held by the named executive officers at the end of fiscal 2008:

		Stock Option Awards			
Name	**Option Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price Per Share ($)**	**Option Expiration Date**
Jason Macari					
Steven Gibree	03/07/2007	127,500	63,750	5.25	03/07/2017
Joseph Driscoll	03/07/2007	127,500	63,750	5.25	03/07/2017

25% of the total number of shares subject to the options vested on March 7, 2007, and an additional 25% of the options vested on March 7, 2008, the total number of shares subject to the option will vest and become exercisable on each of the second and third anniversaries of the March 7, 2007 vesting commencement date, subject to continued employment. All of the stock options in the above table are out of the money based on the stock price as of April 29, 2009.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Ownership of Summer Infant, Inc. Common Stock

The following table sets forth information regarding the beneficial ownership of our common stock as of April 27, 2009 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;

- each of our current executive officers and directors; and

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- all our current executive officers and directors as a group

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership (2)(3)	Percent of Common Stock (3)
5% Stockholders		
Pine River Capital Management L.P.(6) 601 Carlson Parkway Suite 330 Minnetonka, MN 55305	1,374,986	8.9%
Directors and Named Executive Officers		
Jason Macari	3,484,503	22.6%
Steven Gibree	708,952	4.6%
Joseph Driscoll	142,500	*
Myra Hart	32,000	*
Martin Fogelman	32,000	*
Robert Stebenne	32,000	*
Richard Wenz	32,000	*
Directors and officers as a group (7 persons)	4,463,955	29.0%

* Less than 1%

(1) Unless otherwise noted, the business address of each of the following is 1275 Park East Drive, Woonsocket, Rhode Island 02895.

(2) Includes shares for which the named person:

- has sole voting and investment power, and

- has shared voting and investment power with his spouse, unless otherwise indicated in the footnotes.

(3) May include shares underlying warrants that expired as of April 20, 2009. The total also includes vested restricted shares, in addition to the following number of shares that can be acquired through stock option exercises through August 5, 2009 as follows:

Directors and Named Executive Officers	**Options Exercisable through August 5, 2009**
Mr. Macari	77,500
Mr. Gibree	133,750
Ms. Hart	30,000
Mr. Fogelman	30,000
Mr. Stebenne	30,000
Mr. Wenz	30,000
Mr. Driscoll	132,500

Note that all exercisable stock options in the above table have an exercise price in excess of the current stock price

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and therefore are out of the money as of April 3, 2009.

(4) All information relating to beneficial ownership of common stock was obtained from an amended Form 4 filed on April 22, 2009 with the SEC.

(5) All information relating to beneficial ownership of common stock was obtained from Schedule 13 G/A filed on February 12, 2009 with the SEC.

(6) All information relating to beneficial ownership of common stock was obtained from a Schedule 13G filed on February 10, 2009 with the SEC.

Equity Compensation Plan Information

The following table summarizes share information, as of December 31, 2008, for our equity compensation plans, including the 2006 Performance Equity Plan.

Plan Category	Number of Common Shares to Be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Common Shares Available for Future Issuance Under Equity Compensation Plans (1)
Equity compensation plansapproved by stockholders	999,200	$ 5.23	2,000,800
Equity compensation plans notapproved by stockholders			
Total	999,200	$ 5.23	2,000,800

Item 13. Certain Relationships, Related Transactions and Director Independence

Certain Relationships and Related Transactions

In March 2009, the Company entered into a sale-leaseback transaction related to its corporate headquarters in Woonsocket, Rhode Island. Under the terms of the transaction, the Company sold its facility to Faith Realty II, LLC, a company owned by Jason Macari, CEO and Chairman of Summer Infant and his spouse, for $4.05 million and subsequently entered into an agreement to lease the facility for an initial term of 7 years with one (1) 5 year extension option. The purchase price, which was determined by independent appraisals of the property, approximates the net book value of the building on the Company s books, and therefore will result in an immaterial P&L impact. The company will be leasing back the building for approximately the same amount it currently pays in principal and interest payments each month on its real estate loan. This transaction enables the Company to pay down outstanding debt and provides greater borrowing flexibility.

Director Independence

Our Board of Directors has adopted categorical standards to assist it in making independence determinations. Under those standards, in determining independence each year, our Board of Directors will analyze each director s relationship with us and our subsidiaries to determine whether our directors are independent under the rules of the Nasdaq Stock Market. Our Board of Directors has determined that all of our current directors, except Messrs. Macari and Gibree, are independent within the meaning of the independence rules of the Nasdaq Stock Market.

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Item 14. Principal Accounting Fees and Services

Independent Registered Public Accountants

The Audit Committee has engaged McGladrey & Pullen, LLP as our independent registered public accountants for the current fiscal year.

As our independent registered public accountants, McGladrey & Pullen, LLP was engaged to conduct quarterly reviews of us and to conduct an audit of our consolidated financial statements for the full year 2008.

Principal Accountant Fees and Services

As we previously disclosed, certain of the partners of Goldstein Golub Kessler LLP became partners of McGladrey & Pullen, LLP in a limited asset purchase agreement effective October 3, 2007. As a result, Goldstein Golub Kessler LLP resigned as our auditors effective November 15, 2007 and McGladrey & Pullen, LLP was appointed as the auditors of our annual financial statements for the year ended December 31, 2008.

Through November 15, 2007, Goldstein Golub Kessler LLP had a continuing relationship with RSM McGladrey, Inc., from which it leased auditing staff who were full time, permanent employees of RSM McGladrey, Inc. and through which its partners provide non-audit services. Goldstein Golub Kessler LLP had no full time employees and therefore, none of the audit services performed were provided by permanent full-time employees of the Goldstein Golub Kessler LLP. Goldstein Golub Kessler LLP managed and supervised the audit staff, and was exclusively responsible for the opinion rendered in connection with its examination.

The following table shows the fees paid or accrued for the audit and other services provided for the years ended December 31, 2008 and 2007:

	2008 Fees	2007 Fees
Audit Fees	$ 239,000	$ 181,465
Audit-Related Fees	77,500	
Tax Fees		
All Other Fees		
Total Fees	$ 316,500	$ 181,465

- *Audit Fees*were for professional services rendered for the audit of our annual consolidated financial statements and review of consolidated financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

- *Audit-Related Fees* were for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.

- *Tax Fees* were for professional services rendered for federal, state and international tax compliance, tax advice and tax planning.

- *All Other Fees* were for services other than the services reported above and include agreed-upon procedures in 2008.

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- *Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors*

- The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with the pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

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Summer Infant, Inc. And Subsidiaries

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Summer Infant, Inc.

We have audited the accompanying consolidated balance sheets of Summer Infant, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summer Infant, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As explained in note 2, the consolidated financial statements for 2008 have been restated.

We were not engaged to examine management s assertion about the effectiveness of Summer Infant s internal control over financial reporting as of December 31, 2008 included in the Management s Report on Internal Control Over Financial Reporting and, accordingly, we do not express an opinion thereon.

/s/ MCGLADREY & PULLEN, LLP
New York, New York
March 24, 2009, except for note 2, for which the date is January 4, 2010

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Summer Infant, Inc. and Subsidiaries

Consolidated Balance Sheets

Note that all dollar amounts presented in the table below are in thousands of U.S. dollars, except share amounts and par value per share.

	December 31, 2008 (restated)	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 988	$ 1,771
Trade Receivables, net of allowance for doubtful accounts of $335 and $124 at December 31, 2008 and 2007, respectively	29,358	21,245
Inventory	30,882	19,327
Prepaids and Other Current Assets	1,495	970
Deferred Tax Assets	602	134
TOTAL CURRENT ASSETS	63,325	43,447
Property and Equipment, net	11,212	9,279
Goodwill	40,452	30,820
Other Intangible Assets, net	15,130	9,463
Other Assets, net	416	216
TOTAL ASSETS	$ 130,535	$ 93,225
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Line of Credit and Current Portion of Long-Term Debt	$ 1,654	17,856
Accounts Payable and Accrued Expenses	23,045	17,574
TOTAL CURRENT LIABILITIES	24,699	35,430
Long-term Debt, less current portion	42,277	3,977
Other Liabilities	1,150	
Deferred Tax Liabilities	946	548
TOTAL LIABILITIES	69,072	39,955
STOCKHOLDERS EQUITY		
Common Stock $.0001 par value, issued and outstanding 15,055,782 and 13,907,892 at December 31, 2008 and 2007, respectively	1	1
Additional Paid-in Capital	54,095	49,078
Retained Earnings	8,249	4,095
Accumulated Other Comprehensive Income (Loss)	(882)	96
TOTAL STOCKHOLDERS EQUITY	61,463	53,270
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 130,535	$ 93,225

See notes to consolidated financial statements

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Summer Infant, Inc. and Subsidiaries

Consolidated Statements of Income

Note that all dollar amounts presented in the table and the notes to the table below are in thousands of U.S. dollars, except share and per share amounts.

	For the year ended December 31, 2008 (restated)		December 31, 2007	
Net revenues	$	132,369	$	68,117
Cost of goods sold		85,514		42,356
Gross profit		46,855		25,761
Selling, general and administrative expenses(a)		34,613		20,016
Depreciation and amortization		2,903		1,180
Net operating income		9,339		4,565
Interest income (expense), net		(3,209)		228
Income before provision for income taxes		6,130		4,793
Income tax expense		1,976		1,678
Net income	$	4,154	$	3,115
Net income per share basic	$	0.28	$	0.23
Weighted average shares outstanding basic		14,734,299		13,426,000
Net income per share diluted	$	0.28	$	0.23
Weighted average shares outstanding diluted		14,734,299		13,507,097

(a) Includes non-cash stock option compensation expense of $360 and $376 for the years ended December 31, 2008, and December 31, 2007, respectively. Also includes deal-related fees of $214 for the year ended December 31, 2008.

See notes to consolidated financial statements

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Summer Infant, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Note that all dollar amounts presented in the attached table are in thousands of U.S. dollars.

	For the year ended December 31, 2008 (restated)		December 31, 2007	
Cash flows from operating activities:				
Net income	$	4,154	$	3,115
Loss on value of interest rate swap agreements		1,150		
Adjustments to reconcile net income to net cash used in operating activities				
Depreciation and amortization		2,903		1,180
Stock-based compensation		360		376
Deferred income taxes		436		923
Changes in assets and liabilities, net of effects of acquisitions				
Increase in accounts receivable		(4,444)		(9,115)
Increase in inventory		(6,738)		(9,266)
Decrease (increase) in prepaids and other current assets		336		(31)
Increase in other assets		(200)		
Increase in accounts payable and accrued expenses		2,027		8,603
Net cash used in operating activities		(16)		(4,215)
Cash flows from investing activities:				
Acquisitions of property and equipment		(3,863)		(3,570)
Acquisitions of other intangible assets		(1,682)		
Acquisitions of Basic Comfort, Inc., Kiddopotamus & Company (2008) and Summer Infant, Inc. (2007), net of cash acquired of $61 and $867, respectively		(15,958)		(24,371)
Net cash used in investing activities		(21,503)		(27,941)
Cash flows from financing activities:				
Net repayments on line of credit				(14,992)
Net borrowings on line of credit and payments on other debt		21,714		18,668
Redemptions of common stock				(6,883)
Redemption of warrants				(15,058)
Net cash provided by (used in) financing activities		21,714		(18,265)
Effect of exchange rate changes on cash and cash equivalents		(978)		98
Net decrease in cash and cash equivalents		(783)		(50,323)
Cash and cash equivalents at beginning of year		1,771		52,094
Cash and cash equivalents at end of year	$	988	$	1,771
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$	1,906	$	895
Cash paid during the year for income taxes	$	1,424	$	700
Non cash investing/financing activities				
Issuance of common stock in conjunction with the acquisitions of Basic Comfort, Inc., Kiddopotamus and Company (2008), and Summer Infant, Inc.	$	4,657	$	20,182

(2007), respectively				
Capital lease obligations incurred	$	380	$	

See notes to consolidated financial statements

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Summer Infant, Inc. and Subsidiaries

Consolidated Statements of Stockholders Equity

For the Years Ended December 31, 2008 and 2007

Note that all dollar amounts presented in the attached table are in thousands of U.S. dollars.

	Commons Stock Shares	Commons Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Comprehensive Income (Loss)	Comprehensive Income	Total Stockholders Equity
Balance at December 31, 2006	11,200,000	$ 1	$ 50,461	$ 980			$ 51,442
Acquisition of Summer Infant, Inc.	3,916,667		20,182				20,182
Redemption of shares	(1,208,775)		(6,883)				(6,883)
Redemption of warrants			(15,058)				(15,058)
Stock based compensation			376				376
Net income for the year				3,115		$ 3,115	
Foreign currency translation adjustment					$ 96	96	
Total comprehensive income						$ 3,211	3,211
Balance at December 31, 2007	13,907,892	$ 1	$ 49,078	$ 4,095	$ 96		$ 53,270
Acquisition of Basic Comfort	450,000		1,778				1,778
Acquisition of Kiddopotamus	697,890		2,879				2,879
Stock based compensation			360				360
Net income for the year(restated) Note 2				4,154		4,154	
Foreign currency translation adjustment					(978)	(978)	
Total comprehensive income(restated)						$ 3,176	3,176
Balance at December 31, 2008(restated)	15,055,782	$ 1	$ 54,095	$ 8,249	$ (882)		$ 61,463

See notes to consolidated financial statements

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SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

On March 6, 2007, under an Agreement and Plans 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.

Effective upon closing, the Company changed its name to Summer Infant, Inc. and SII changed its name to Summer Infant (USA), Inc. Thus, the Company is now a holding company called Summer Infant, Inc. operating through its wholly-owned subsidiaries, Summer Infant (USA), Inc., Summer Infant Europe, Limited, and Summer Infant Asia, Ltd.

At the closing of the acquisition, the Summer stockholders received from the Company an aggregate of $20,000,000 cash and 3,916,667 shares of Company common stock (Transaction Shares). The Summer stockholders also will be entitled to receive up to an additional aggregate of 2,500,000 shares of Company common stock (Contingent Shares) in the event that the last sales price of Company common stock is equal to or exceeds $8.50 on any twenty (20) trading days during any thirty (30) consecutive trading day period commencing on the three-month anniversary of the closing of the acquisition and ending on April 20, 2009. The Summer stockholders also are entitled to receive cash payments equal to 50% of the difference between actual EBITDA (as defined in the Acquisition Agreement) for the years ended or ending December 31, 2006, 2007 and 2008 and prescribed EBITDA benchmarks for each of those years of $4,200,000, $10,000,000 and $15,000,000 respectively. These cash payments shall not exceed $5,000,000 in the aggregate for the three years. No amounts were earned for the years ended December 31, 2008 and 2007.

Holders of 1,208,775 shares of KBL common stock voted against the acquisition and elected to convert their shares into a pro rata portion of the trust fund (approximately $5.69 per share or an aggregate of approximately $6,883,000). The Company prior to March 6, 2007 was in the development stage. Effective upon the acquisition of Summer Infant, Inc. the Company is no longer a developmental stage company.

On November 7, 2008, Summer Infant (USA), Inc. created a wholly-owned subsidiary called Summer Infant Canada, Ltd. (SIC).

Nature of Operations and Basis of Presentation and Principles of Consolidation

The Consolidated Statement of Income for the year ended December 31, 2007 consists of the period from March 6, 2007 through December 31, 2007 for Summer plus the full year results of KBL. The acquisition of Summer by KBL occurred on March 6, 2007, and therefore the results of Summer are included from that date forward.

It is the Company s policy to prepare its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of its wholly-owned subsidiaries.

All significant intercompany accounts and transactions have been eliminated in the consolidation.

Revenue Recognition

The Company follows the guidance of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin 104 for revenue recognition. In general, the Company records revenue when all of the following occur: persuasive evidence of an arrangement exists, product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Sales are recorded net of provisions for returns and allowances, customer discounts, and other sales related discounts. The Company bases its estimates for discounts, returns and allowances on negotiated customer terms and historical experience. Customers do not have the right to return products unless the products are defective. The Company records a reduction of sales for estimated future defective product deductions based on historical experience.

Sales incentives or other consideration given by the Company to customers that are considered adjustments of the selling price of its products, such as allowances and product placement fees, are reflected as reductions of revenue. Sales incentives and other consideration that represent costs incurred by the Company for assets or services received, such as the appearance of the Company s products in a customer s national circular ad, are reflected as selling and marketing expenses in the accompanying statements of income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include money market accounts and investments with an original maturity of three months or less. At times, the Company possesses cash balances in excess of federally-insured limits.

Trade Receivables

Trade receivables are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customers ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Inventory

Inventory is comprised of finished goods and is stated at the lower of cost using the first-in, first-out (FIFO) method, or market (net realizable value). The Company regularly reviews slow-moving and excess inventories, and writes down inventories to net realizable value if the ultimate expected proceeds from the disposals of excess inventory are less than the carrying cost of the merchandise.

Property and Equipment

Property and equipment are recorded at cost. The Company owns the molds used in the production of its products by third party manufacturers. Capitalized mold costs include costs incurred for the pre-production design and development of the molds.

Depreciation is provided over the estimated useful lives of the respective assets using either straight-line or accelerated methods.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered to be impaired when its carrying amount exceeds the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition. Long-lived assets include property and equipment. The amount of impairment loss, if any, is charged by the Company to current operations. For each of the years ended December 31, 2008 and 2007, no such impairment existed.

Goodwill and Other Intangible Assets

The Company accounts for Goodwill and Other Intangible Assets in accordance with Financial Accounting Standards Board SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS 142 requires that goodwill and intangible assets that have indefinite useful lives no longer be subject to amortization and be tested at least annually for impairment. Intangible assets that have useful lives are amortized over such lives on a straight-line basis.

Summer Infant Acquisition

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of Summer by KBL. The fair values of intangible assets acquired were obtained through a third party valuation.

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		(In Thousands)
Accounts receivable	$	12,130
Inventory		10,061
Other current assets		1,500
Property and equipment		6,884
Brand Name		8,400
Patents		1,300
Goodwill		30,833
Other Assets		164
Total assets acquired		71,272
Debt		18,822
Other liabilities assumed		8,836
Total liabilities assumed		27,658
Net assets acquired	$	43,614

Basic Comfort Acquisition

On March 31, 2008, through 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 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 year ended March 31, 2009.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of Basic by Summer:

		(In Thousands)
Trade receivables	$	1,384
Inventory		1,559
Other Current Assets		121
Property and equipment		152
Other Intangible Assets		614
Goodwill		4,769
Deferred tax benefits		200
Total assets required		8,799
Total liabilities assumed		1,854
Net assets acquired	$	6,945

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, plus the payment of various closing expenses, was $12,500,000. 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 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

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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 common stock of the Company and one half in cash.

The Company funded the cash portion of the total net purchase price with borrowings under its secured credit facilities. Approximately 10% of the total net purchase price was deposited in escrow to secure the post-closing indemnification obligations of the former Kiddopotamus stockholders, including the Principal Stockholders, under the terms of the agreement.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of Kiddopotamus by Summer:

		(In Thousands)
Trade receivables	$	2,284
Inventory		3,258
Other Assets		740
Property and equipment		48
Trade name and other intangible assets		3,710
Goodwill		4,850
Deferred tax benefits		305
Total assets acquired		15,195
Total liabilities assumed		1,524
Net assets acquired	$	13,671

The restated (see note 2) pro forma effect on net revenues, earnings, and diluted earnings per share amounts for the years ended December 31, 2008 and 2007, assuming the Basic Comfort and Kiddopotamus transactions had closed on January 1, 2007, are as follows:

		2008		2007
Net revenues:	$	138,298,000	$	91,128,000
Net income:	$	4,763,000	$	4,482,000
Earnings per share: diluted	$	0.31 per share	$	0.31 per share

Fair Value Measurements

Effective January 1, 2008, we adopted the new standard regarding fair value which establishes a new framework for measuring fair value and expands related disclosures. Broadly, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The standard established a three-level valuation hierarchy based upon observable and non-observable inputs.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. In addition, we utilize risk management resources that review valuation, including independent price validation.

The Company recognizes the fair value of interest rate swaps using Level 2 inputs.

In the fourth quarter of 2008, Company recorded a change in fair value of its interest rate swap. The effect was a decrease in the fair value of the swaps of approximately $1,150,000, and an increase in interest expense of $1,150,000 (See Note 2).

We use derivatives for risk management purposes. As a matter of policy, we do not use derivatives for speculative purposes. This is a key requirement in our loan agreement to mitigate interest rate risk.

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The notional amounts under the interest rate swap agreements total $20 million, which is approximately 50% of the Company s total outstanding bank debt at December 31, 2008.

The following table provides information about the fair value of our derivatives, by contract type, identifying those derivatives not accounted for as hedges:

	At December 31, 2008 Fair Value Liabilities
Derivatives	
Interest rate swap contracts	$ 1,150,000

The above liability is classified in the caption other liabilities and the gains and losses are classified in interest expense in the accompanying financial statements since the swaps do not qualify for hedge accounting.

Income taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109.* FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements in accordance with SFAS No. 109. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. Upon the adoption of FIN 48, the Company had no unrecognized tax benefits.

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence; it is more likely than not such benefits will be realized. The Company recognizes interest and penalties, if any, related to uncertain tax positions in selling, general and administrative expenses. No interest and penalties related to uncertain tax positions were accrued at December 31, 2008 and 2007.

The tax years 2004 through 2007 remain open to examination by the major taxing jurisdictions in which the Company operates. The Company expects no material changes to unrecognized tax positions within the next twelve months.

Translation of Foreign Currencies

The assets and liabilities of the Company s European and Asian operations have been translated into U.S. dollars at year-end exchange rates. All assets and liabilities of the Company s foreign affiliates are translated into U.S. dollars at the exchange rate in effect at the end of the year and the income and expense accounts of these affiliates have been translated at

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average rates prevailing during each respective year. Resulting translation adjustments are made to a separate component of stockholders equity within accumulated other comprehensive income (loss).

Shipping Costs

Shipping costs are included in selling expenses and amounted to approximately $1,882,000 and $1,491,000 for the years ended December 31, 2008 and 2007, respectively.

Advertising Costs

The Company charges advertising costs to expense as incurred. Advertising expense, which consists primarily of promotional and cooperative advertising allowances provided to customers, was approximately $8,749,000 and $5,145,000, for the years ended December 31, 2008 and 2007, respectively.

Selling Expenses

The primary components of selling expense include shipping costs, as well as commissions and royalty based payments to third party vendors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Income Per Share

Basic earnings per share for the Company is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. The shares used in computing diluted earnings per share include 0 equivalent shares from warrants since they were anti-dilutive in both years ended December 31, 2008 and 2007. Options to purchase 999,200, and 1,055,000 shares of the Company s common stock were not included in the calculation, due to the fact that these options were anti-dilutive for the years ended December 31, 2008, and 2007.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Effective January 1, 2008, the Company adopted SFAS 157 for its financial assets and liabilities. The adoption of SFAS 157 did not have a material impact on the Company s financial position or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations , or SFAS No. 141(R). This statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS No. 141(R) are effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company will adopt this statement, as applicable on January 1, 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Non-controlling Interests in Consolidated Financial Statements-An Amendment to Accounting Research Bulletin (ARB) No. 51 , or SFAS No. 160. This statement amends ARB No. 51, Consolidated Financial Statements , to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement also amends certain of ARB No. 51 s consolidation procedures for consistency with the requirements of SFAS No. 141(R). In addition, SFAS No. 160 also includes expanded disclosure requirements regarding interests of the parent and its non-

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controlling interest. The provisions of SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company will adopt this statement, as applicable, on January 1, 2009.

In February 2008, the FASB issued Staff Position (FSP) No. 157-1 and FSP No. FSP 157-2. FSP No. 157-1 removes certain leasing transactions from the scope of SFAS No. 157. FSP No. 157-2 partially defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities that are recognized at fair value on a nonrecurring basis. Under FSP No. 157-2, the effective date for non-financial assets and liabilities that are recognized at the fair value on a nonrecurring basis will be for fiscal years beginning after November 15, 2008. FSP No. 157-2 is effective for the Company of January 1, 2009. The Company is assessing the potential impact of adopting FSP No. 157-2, but does not believe that the adoption will have a significant impact on the Company s consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible assets* (SFAS No. 142). The intent of the position is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (R). FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and is effective for the Company January 1, 2009. The Company is assessing the potential impact that the adoption of FSP FAS 142-3 will have on the useful lives of its intangible assets but does not expect it to have a material impact on its consolidated results of operations and financial condition.

The Company does not believe that any other recently issued, but not yet effective accounting standards will have a material effect on the Company s consolidated financial position, results of operations, or cash flows.

Certain items as of and for the year ended December 31, 2007 have been reclassified to conform with the current year presentation.

2. RESTATEMENT

In 2007 and 2008 the Company entered into various interest rate swap agreements that are required by the Company s loan agreement with Bank of America. The interest rate swaps are used to hedge against potential increases in interest rates by locking in a portion of the outstanding debt at a fixed rate. The fair value of the swaps was determined to be immaterial from the inception of the swaps until the fourth quarter of 2008. During the fourth quarter of 2008, the fair value declined due to the dislocation in the financial markets, but this was not recorded by the Company. In addition, the Company concluded the swaps do not qualify for hedge accounting treatment. Therefore, the Company has restated its 2008 results to record an increase in net liabilities and a reduction of stockholders equity (through an after-tax charge in the income statement) of approximately $0.7 million, which reflects the reduced fair value of the swaps at December 31, 2008. This reduced stockholders equity from $62.2 million to $61.5 million at December 31, 2008. As long as the Company keeps these swaps in place until they terminate (as required by the bank), the fair value will be adjusted each quarter and will ultimately return to zero. The restatement of 2008 fourth quarter and annual results has no impact on operating income, EBITDA or cash flow of the Company.

For clarity purposes, the effect of this restatement on the financial statements is presented in a condensed illustration below (amounts in $000 s):

	Originally reported December 31,2008	Fair value of swap December 31,2008	Restated December 31,2008
Income Statement			
Net operating income	$ 9,339		$ 9,339
Interest income(expense),net	(2,059)	(1,150)	(3,209)
Income tax expense	2,378	402	1,976
Net income	$ 4,902	(748)	$ 4,154
Net income per share basic/diluted	$ 0.33	(0.05)	$ 0.28
Balance Sheet			
Total Assets	$ 130,535		$ 130,535
Other liabilities		1,150	1,150
Deferred tax liabilities	1,348	(402)	946
Total Liabilities	68,324	748	69,072
Retained Earnings	8,997	(748)	8,249
Total Stockholders Equity	$ 62,211	(748)	$ 61,463
Cash Flow			
Net cash used in operating activities	$ (16)		$ (16)
Net cash used in investing activities	(21,503)		(21,503)
Net cash provided by financing activities	21,714		21,714
Effect of exchange rate changes on cash and cash equivalents	(978)		(978)
Net decrease in cash and cash equivalents	(783)		(783)
Cash and cash equivalents at end of year	$ 988		$ 988

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For additional disclosure and detail of the interest rate swaps, see Fair Value Measurements

3. PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following:

	December 2008	December 2007	Depreciation/ Amortization Period
	(In Thousands)		
Computer	$ 1,463	$ 758	5 years
Tools and dies and Prototypes	7,608	4,503	1-5 years
Building	4,156	4,213	30 years
Other	1,526	749	various
	14,753	10,233	
Less accumulated depreciation	3,541	944	
Property and Equipment, net	$ 11,212	$ 9,279	

Property and equipment includes amounts acquired under capital leases of approximately $827,000 and $447,000 at December 31, 2008 and 2007, respectively, with related accumulated depreciation of approximately $164,000 and $125,000, respectively. Depreciation is included in general and administrative expenses in the accompanying consolidated statements of income.

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is tested for impairment on an annual basis and more frequently if facts and circumstances indicate goodwill carrying values exceed estimated fair values. Because the Company has fully integrated its acquisitions, it has determined that it has only one reporting unit for purposes of testing for goodwill impairment. Based on the impairment tests performed, there was no impairment of goodwill in 2008 or 2007.

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The change in goodwill during the years ended December 31, 2007 and 2008, respectively was as follows (in thousands):

Balance at December 31, 2006	$	
Acquisition of Summer Infant, Inc.		30,820
Balance at December 31, 2007		30,820
Acquisition of Basic Comfort		4,769
Acquisition of Kiddopotamus		4,850
Other additions		13
Balance at December 31, 2008	$	40,452

Intangible assets

Intangible assets consist of the following:

	December 31,				Amortization
		2008		2007	Period
	(In Thousands)				
Brand Names	$	10,900	$	8,400	Indefinite
Patents and Licenses		1,300		1,300	5 years
Customer Lists		1,543			Indefinite
Other Intangibles		1,949			5-10 years
		15,692		9,700	
Less: Accumulated Amortization		(562)		(237)	
Intangible Assets, net	$	15,130	$	9,463	

The amortization period for the intangible assets ranges from 5 to 10 years for those assets that have an estimated life; certain of the assets have indefinite lives. There was no impairment of intangible assets in 2008 or 2007.

Amortization expense amounted to $390,000 and $237,000 for the years ended December 31, 2008 and 2007, respectively. Estimated amortization expense for the next five years is as follows:

Year ending December 31,		(In Thousands)
2009	$	465
2010		465
2011		465
2012		228
2013		200

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31, 2008	December 31, 2007
	(In Thousands)	
Accounts payable	$ 14,694	$ 12,203
Customer advertising and allowances	2,652	1,757
Accrued purchases of inventory	3,217	874
Other (none in excess of 5% of current liabilities)	2,482	2,740
Total	$ 23,045	$ 17,574

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6. DEBT

New Credit Facilities

On April 10, 2008, the Company entered into two new three-year secured credit facilities (the Loan Agreement) with Bank of America, N.A., as Administrative Agent, and each of the financial institutions a signatory to the Loan Agreement. The Loan Agreement provides for a $36,000,000 working capital revolving credit facility and a $10,000,000 non-restoring acquisition credit facility. The new credit facilities mature on June 30, 2011. The acquisition credit facility has been utilized in its entirety as of December 31, 2008. The amount outstanding on the working capital revolving credit facility at December 31, 2008 was $29,676,000.

Aggregate maturities of long term debt related to this note are as follows:

			(In Thousands)
Year ending December 31:	2009	$	1,333
	2010		2,000
	2011		36,343
	Total	$	39,676

The Company and its subsidiaries, Summer Infant (USA), Inc. Summer Infant Europe Limited, Summer Infant Asia Limited and Summer Infant Canada, Limited are the borrowers under this Loan Agreement. These new credit facilities replace the Company s prior line of credit and are being used principally to fund growth opportunities and for working capital purposes. This credit facility is secured by substantially all of the assets of the Company.

The Company s ability to borrow under the Loan Agreement is subject to its ongoing compliance with a number of financial and other covenants, including the following: (i) that the Company and its subsidiaries maintain a net worth of $50,000,000 plus the sum of 50% of net income earned in each fiscal year, (ii) that the Company and its subsidiaries maintain a ratio of total funded debt to EBITDA of not greater than 3.50:1.00, and (iii) that the Company and its subsidiaries maintain a ratio of operating cash flow to debt service of not less than 1.25:1,00. In addition, if the Company s ratio of total funded debt to EBITDA is greater than 3.25:1.00 as of December 31, 2008, the total commitment amount under the working capital revolving credit facility will reduce by $4,000,000 on March 31, 2009. Furthermore, if the Company s ratio of total funded debt to EBITDA is greater than 3.25:1.00 for any fiscal year, the aggregate amount that may be borrowed under the Loan Agreement will be determined by reference to a borrowing base.

These new credit facilities bear interest at a floating rate based on a spread over LIBOR ranging from 150 basis points to 200 basis points, depending upon the ratio of the Company s total funded debt to EBITDA. As of December 31, 2008, the rate on these credit facilities ranged between 1.95% and 4.42%. In addition, these new credit facilities have an unused line fee based on the unused amount of the credit facilities equal to 25 basis points.

The Loan Agreement also contains customary events of default, including a cross default provision and a change of control provision. In the event of a default, all of the obligations of the Company and its subsidiaries under the loan Agreement may be declared immediately due and payable. For certain events of default relating to insolvency and receivership, all outstanding obligations become due and payable.

At December 31, 2007, there was $17,591,000 outstanding on the Company s prior line of credit facility.

Amendment to Construction Loan

In connection with the Company s construction of its principal offices in Woonsocket, Rhode Island, the Company previously assumed all obligations of Faith Realty under a $4,000,000 Construction Loan between Faith Realty and Bank of America, N.A. (the Real Estate Loan). In connection with the new credit facilities described above, the Company and Bank of America, N.A. amended the Real Estate Loan to include a cross default provision with these new credit facilities.

As of December 31, 2008, the Company had an outstanding term loan due in 2017 of approximately $3,859,000 related to the construction of its new corporate headquarters/distribution center, which was completed in 2007. The interest rate has been fixed at 7.06% and the building is the collateral for the note. The loan requires monthly payments of principal and interest. Aggregate maturities of long term debt related to this note are as follows:

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			(In Thousands)
Year ending December 31:	2009	$	105
	2010		112
	2011		121
	2012		130
	2013		143
	Thereafter		3,248
		$	3,859

7. INCOME TAXES

Income tax expense (benefit) is summarized as follows:

		2008		2007
		(In thousands)		
Current:				
Federal	$	36	$	815
Foreign		1,204		342
State and Local		313		234
Total Current		1,553		1,391
Deferred (primarily federal)(as restated see note 2)		423		287
Total expense	$	1,976	$	1,678

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SUMMER INFANT, INC. AND SUBSIDIAIRES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAXES

The tax effects of temporary differences that comprise the deferred tax liabilities and assets are as follows:

	2008		2007	
	(In thousands)			
Assets (Liabilities)				
Deferred tax asset-current:				
Accounts receivable and inventory reserves	$	602	$	134
Net deferred tax asset-current		602		134
Deferred tax (liability) asset-non-current:				
Intangible assets		(137)		(91)
Interest rate swap liability		402		(457
Property, plant and equipment		(1,211)		(457)
Net deferred tax (liability) asset-non-current:		(946))		(548)
Net deferred income tax asset (liability)	$	(344)	$	(414)

The following reconciles the income tax expense (benefit) at the U.S. federal income tax statutory rate to that in the consolidated financial statements:

	2008		2007	
	(In thousands)			
Tax expense at statutory rate(as restated)	$	2,073	$	1,598
State income taxes, net of U.S. federal income tax benefit		280		269
Tax credits		(300)		(300)
Non-deductible expenses		31		136
Other		(108)		(25)
Total expense	$	1,976	$	1,678

8. STOCK OPTIONS

The Company has granted stock options under its 2006 Performance Equity Plan (2006 Plan). Under the 2006 Plan, awards may be granted to participants in the form of Non-Qualified Stock Options, Incentive Stock Options, Restricted Stock, Deferred Stock, Stock Reload Options and other stock-based awards. Subject to the provisions of the plan, awards may be granted to employees, officers, directors, advisors and consultants who are deemed to have rendered or are able to render significant services to us or our subsidiaries and who are deemed to have contributed or to have the potential to contribute to our success. As discussed in Note 1, Summary of Significant Accounting Policies New

Accounting Pronouncements, effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123(R), using the modified prospective transition method. The adoption of SFAS 123(R) resulted in share-based compensation expense for the years ended December 31, 2008 and 2007 of $360,000 and $376,000, respectively. Stock based compensation expense is included in selling, general and administrative expenses.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Because the Company s common shares have only traded publicly since April 2005, expected volatility for the year ended December 31, 2008 is estimated based on an arithmetic average of the volatility of four publicly-traded companies that operate in Summer s industry or sell into similar markets. Summer has insufficient history by which to estimate the expected term of the options, but used an estimate for grants of plain vanilla stock options based on a formula prescribed by the Securities and Exchange Commission s Staff Accounting Bulletin No. 107. Because Summer s employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The following table summarizes the assumptions used for options granted during the year ended December 31, 2007. There were no option grants during the year ended December 31, 2008.

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Expected life (in years)	3.5 to 5.5
Risk-free interest rate	4.50% and 4.75%
Volatility	25.0%
Dividend yield	0

The weighted-average grant date fair value of options granted during the year ended December 31, 2007 of $1.55 per share which totals $1,665,010 for the 1,074,200 options granted during such period.

A summary of the status of the Company s options as of December 31, 2008 and changes during the year then ended is presented below:

	Number Of Shares		Weighted-Average Exercise Price
Outstanding at beginning of year	1,055,000	$	5.22
Granted			
Canceled	(55,800)	$	5.20
Outstanding at end of year	999,200	$	5.23
Options exercisable at December 31, 2008	374,800	$	5.23

The aggregate intrinsic value of options outstanding at December 31, 2008 was $0.

The following table summarizes information about stock options at December 31, 2008:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (years)		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$5.25	500,000	8.2	$	5.25	125,000	$	5.25
$5.20	466,000	8.5	$	5.20	0	$	5.20
$5.21	33,200	8.8	$	5.21	0	$	5.21

	Number of Options		Grant Date Fair Value	Remaining Contractual Life
Non-Vested options at December 31, 2007	930,000	$	1.57	9.5
		$		
Options Vested	249,800	$	1.53	8.2
Options forfeited	(55,800)		1.73	8.5

Non-Vested options at December 31, 2008	624,400	$ 1.57	8.5

As of December 31, 2008, there was approximately $983,000 of unrecognized compensation cost related to non-vested stock option awards, which is expected to be recognized over a remaining weighted-average vesting period of 2.5 years. The total fair value of options vested during the year ended December 31, 2008 was approximately $383,000.

9. WARRANTS

The Company had 18,400,000 redeemable common stock purchase warrants (the Warrants) outstanding at December 31, 2006. Each Warrant entitles the holder to purchase one share of common stock at an exercise price of $5.00 per share. The Warrants expire in April 2009. The Warrants are redeemable at a price of $0.01 per Warrant, only in the event that the last sale price of the common stock is at least $8.50 per share for any 20 trading days within a 30 trading day period. In November, 2007, the Company completed a tender offer to all warrant holders to purchase each warrant for $1.00. The total number of warrants tendered was 14,766,047. The Company used a combination of cash on hand plus amounts available under its line of credit to fund the tender offer. The amount paid to the warrant holders who tendered their warrants was charged to additional paid-in capital. At December 31, 2008, total warrants outstanding were 3,633,953.

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10. CAPITAL LEASE OBLIGATIONS

The Company leases various equipment under capital leases which expire during 2009 and 2011.

The leases require monthly payments of principal and interest, imputed at interest rates ranging from 3% to 19% per annum.

The capital lease liability balance of approximately $398,000 and $288,000 is included in liabilities on the consolidated balance sheets as of December 31, 2008 and 2007, (of which approximately $215,000 and $120,000 is included in long-term debt, and the balance is in current liabilities). The minimum future lease payments, including principal and interest, are approximately $434,000 and $265,000, respectively.

11. PROFIT SHARING PLAN

Summer Infant (USA), Inc maintains a defined contribution salary deferral plan (the Plan) under Section 401(k) of the Internal Revenue Code. All employees who meet the Plan s eligibility requirements can participate. Employees may elect to make contributions up to 25% of their compensation. In 2007, the Company adopted a matching plan which was funded throughout the year. For the years ended December 31, 2008 and 2007, the Company recorded 401(k) matching expense of $116,000 and $68,000, respectively.

12. MAJOR CUSTOMERS

Sales to two customers comprised approximately 48% and 10% of net sales for the year ended December 31, 2008, and 42% and 15% for December 31, 2007, respectively. Amounts due from these customers comprised approximately 63% and 61% of trade receivables at December 31, 2008 and 2007, respectively.

13. COMMITMENTS AND CONTINGENCIES

Royalty Commitments

Summer Infant (USA), Inc has entered into various license agreements with third parties for the use of product designs and trade names for the products manufactured by the Company. These agreements have termination dates through August, 2013. Royalty expense under these licensing agreements for the years ended December 31, 2008 and 2007 were approximately $214,000 and $149,000, respectively.

Customer Agreements

The Company enters into annual agreements with its customers in the normal course of business. These agreements define the terms of product sales including in some instances cooperative advertising costs and product return privileges (for defective products only) or defective allowances (which are based upon historical experience). These contracts are generally annual in nature and obligate the Company only as to products actually sold to the customer.

License Agreements and Lease Commitments

During 2005, Summer Infant (USA), Inc entered into formal contracts with providers of long distance communications, electronic data interchange services, telephone and communication equipment, and computer equipment. These contracts in the aggregate represent minimum monthly payments of approximately $2,000 which expire at various times through October 2009.

Summer Infant (USA) leases an office under a three-year agreement which requires monthly payments of approximately $3,000 through September 2010.

Summer (USA) leases certain vehicles under non-cancelable operating lease agreements. These leases are for a three-year term requiring monthly payments of approximately $3,000 through April 2011.

SIE leases office space under a non-cancelable operating lease agreement. This lease is for a five-year term through April 2012, and requires monthly payments of approximately $5,000. In addition, SIE is required to pay its proportionate share of property taxes.

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Summer Infant Canada, Ltd. entered into a five-year lease for office and warehouse space under a non-cancelable operating lease agreement expiring March 2013. The Company is obligated as part of the lease to pay maintenance expenses as well as property taxes and insurance costs as defined in the agreement. Monthly payments for the initial year are approximately $14,000 and escalate over the course of the lease term. Summer Infant Canada Ltd. has the option to renew this lease for one additional period of five years under the same terms and conditions.

Summer Infant (USA) entered into a two-year lease for office space under a non-cancellable operating lease agreement expiring July 2010. The company is obligated to pay insurance as part of the lease. Monthly payments for the initial year are approximately $15,000, and escalate to approximately $15,545 through the second year. Summer (USA) has the option to renew this lease for one additional period of two years under the same terms and conditions.

Summer Infant (USA) Inc. entered into a five-year lease for office and warehouse space under a cancelable operating lease agreement. The agreement states, after month 18, there is a 90-day period to cancel. Should either party exercise this option, the agreement shall terminate 180 days after written notice is provided to the other party. After the 90-day period to cancel passes, the lease becomes non-cancelable. The Company is obligated to pay certain common area maintenance charges including insurance and utilities. Monthly payments for the initial year are approximately $29,400 and escalate over the course of the lease term.

During March 2006, Summer (USA) entered into a three-year lease for warehouse space under a non-cancelable operating lease agreement expiring April 2009. The Company is obligated as part of the lease to pay maintenance expenses as well as property taxes and insurance costs, as defined in the agreement. Monthly payments for the initial year are approximately $27,000, and escalate over the course of the lease term. Summer (USA) has the option to renew this lease for two additional periods of three years under the same terms and conditions.

During September 2007, Summer (USA) entered into a two year lease for warehouse space under a non-cancelable operating lease agreement expiring in Aug 2009. The Company is obligated as part of the lease to pay maintenance expenses, as defined in the agreement. Monthly payments for the two year agreement are approximately $16,000.

During December 2007, Summer (USA) entered into a three year lease for warehouse space under a non-cancelable operating lease agreement expiring in February 2011. Summer (USA) is obligated as part of the lease to pay maintenance expenses as well as property taxes and insurance costs, as defined in the agreement. Monthly payments for the initial year are approximately $70,000, and escalate over the course of the lease term. Summer (USA) has the option to renew this lease for one additional period of three years under the same general terms and conditions. During November 2007, SIA entered into a two year office lease which requires monthly payments of $3,000 through October 2009.

Approximate future minimum rental payments due under these leases are as follows:

Year Ending		**(In Thousands)**
December 31, 2009	$	1,707
December 31, 2010		1,458
December 31, 2011		811
December 31, 2012		663
December 31, 2013		155

Total	$	4,794

Rent expense for the year ended December 31, 2008 and 2007 totaled approximately $1,923,000 and $664,000, respectively.

Employment Contracts

In accordance with UK and EU law, SIE has employment contracts with all employees. In connection with these contracts, SIE is required to fund the individual pension contributions of certain employees at varying rates from 5% to 10% of the employee s annual salary, as part of their total compensation package. These pension contributions are expensed as incurred. There are no termination benefit provisions in these contracts.

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Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Company or the results of its operations.

14. GEOGRAPHICAL INFORMATION

The Company distributes branded durable baby products throughout the United States, Canada, and the United Kingdom, and various other parts of the world.

The following is a table that presents net revenue by geographic area at December 31, 2008:

	December 31, 2008	December 31, 2007
	(In Thousands)	
North America	$ 125,018	$ 62,264
All Other	7,351	5,853
	$ 132,369	$ 68,117

The following is a table that presents total assets by geographic area:

	2008	2007
	(In Thousands)	
North America	$ 127,189	$ 89,643
Europe	3,273	3,514
Asia	73	68
	$ 130,535	$ 93,225

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 4th day of January 2010.

SUMMER INFANT, INC.	
By:	/s/ Jason Macari Jason Macari *Chief Executive Officer* *(Principal Executive Officer)*
By:	/s/ Joseph Driscoll Joseph Driscoll *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Jason Macari Jason Macari	Director and Chief Executive Officer (Principal Executive Officer)	January 4, 2010
/s/ Joseph Driscoll Joseph Driscoll	Chief Financial Officer (Principal Financial and Accounting Officer)	January 4, 2010
/s/ Steven Gibree Steven Gibree	Executive Vice President of Product Development and Director	January 4, 2010
/s/ Martin Fogelman Martin Fogelman	Director	January 4, 2010
/s/ Robert Stebenne Robert Stebenne	Director	January 4, 2010
/s/ Richard Wenz Richard Wenz	Director	January 4, 2010

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Exhibits.

Exhibit	Description
2.1	Agreement and Plans of Reorganization dated as of September 1, 2006, by and among KBL Healthcare Acquisition Corp. II, and its wholly owned subsidiary, SII Acquisition Corp. (Acquisition Sub), Summer Infant, Inc. (SII), Summer Infant Europe, Limited (SIE) and Summer Infant Asia, Ltd. (SIA and, collectively, with SII and SIE, the Targets) and the stockholders of the Targets (1)
2.2	Warranty Deed dated March 1, 2007 (2)
3.1	Amended and Restated Certificate of Incorporation (3)
3.2	Bylaws (3)
4.1	Specimen Common Stock Certificate (3)
4.2	Specimen Warrant Certificate (3)
4.3	Warrant Agreement (4)
10.1	Revolving Credit Agreement by and among Bank of America, N.A. and Summer Infant, Inc., Et al, dated April 10, 2008 (7)
10.2*	Amendment to Revolving Credit Agreement by and among Bank of America, N.A. and Summer Infant, Inc., Et al, dated June 30, 2008.
103	Construction Loan Agreement by and between the Bank of America, N.A. and Faith Realty, LLC dated December 21, 2006(2)
10.4	Secured Promissory Note made by Faith Realty in favor of Bank of America, N.A.(2)
10.5	Open-End Mortgage and Security Agreement by and between Faith Realty, LLC and Bank of America, N.A. dated December 21, 2006(2)
10.6	Collateral Assignment of Leases and Rents made by Faith Realty, LLC in favor of Bank of America, N.A. dated December 21, 2006(2)
10.7	Assignment of Project Contracts made by Faith Realty, LLC in favor of Bank of America, N.A. dated December 21, 2006(2)
10.8	Assumption and Modification Agreement by and among Faith Realty, LLC, Summer Infant, Inc., and Bank of America, N.A. dated March 6, 2007(2)
10.9	Revolving Credit Agreement by and among Bank of America, N.A. and Summer Infant, Inc., Summer Infant Europe Limited, and Summer Infant Asia Limited dated July 19, 2005, as amended on December 29, 2005, April 30, 2006, July 31 2006, and December 21, 2006(2)
10.10	Amendment to Revolving Credit Agreement dated January 30, 2008 by and among Bank of America, N.A. and Summer Infant, Inc., Summer Infant Europe Limited, and Summer Infant Asia Limited dated July 19, 2005, as amended. (5)
10.11	Security Agreement by and between Summer Infant, Inc. and Bank of America, N.A. dated July 19, 2005(2)
10.12	Deed of Guarantee and Debenture between Summer Infant Europe Limited and Bank of America, N.A. dated October 28, 2005 (2)
10.13	Acquisition agreement by and between Kiddopotamus and Company and Summer Infant, Inc., dated April 18, 2008 (6)

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10.14	Registration Rights Agreement, dated as f April 18, 2008, by and among Summer Infant, Inc. and J. Chris Snedeker and Kristen Peterson Snedeker (6)
10.15	Voting Agreement (1)
10.16	Escrow Agreement (1)
10.17	Registration Rights Agreement by and among the Company and Jason Macari and Steven Gibree (1)
10.18**	Dr. Marlene Krauss Employment Agreement (1)
10.19**	Jason Macari Employment Agreement (1)
10.20**	Steven Gibree Employment Agreement (1)
10.21**	Joseph Driscoll Employment Agreement (1)
10.22**	2006 Performance Equity Plan (1)
10.23	Distribution and License Agreement by and between The Blanket Factory Ltd. and Summer Infant, Inc. dated February 9, 2007 (2)
21.1	List of Subsidiaries (5)
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

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* Filed herewith

** Management contract or compensatory plan or arrangement

(1) Incorporated by reference to Annex A of the Definitive Proxy Statement (No. 000-51228), filed February 13, 2007

(2) Incorporated by reference to the Current Report on Form 8-K filed March 12, 2007

(3) Incorporated by reference to the Form 8-A filed March 6, 2007

(4) Incorporated by reference to the Registration Statement on Form S-1 (File No. 333-122988) filed February 25, 2005

(5) Incorporated by reference to the Annual Report on Form 10-K filed March 27, 2008

(6) Incorporated by reference to the Current Report on Form 8-K filed April 18, 2008

(7) Incorporated by reference to the Quarterly Report on Form 10-Q filed May 12, 2008